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Lead Counsel for Plaintiffs

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

In re RAMBUS INC.

DERIVATIVE LITIGATION

) Master File No. C-06-3513-JF

) **AMENDED**

) **CONSOLIDATED**

) **SHAREHOLDER**

) This Document Relates to:

) **DERIVATIVE**

) **COMPLAINT**

) ALL ACTIONS

) **JURY TRIAL DEMANDED**

[Caption continued on following page.]

HOWARD CHU and GAETANO RUGGIERI,)
Derivatively on Behalf of RAMBUS INC.,)
Plaintiffs,)
vs.)
GEOFF TATE, JOHN D. DANFORTH,)
ROBERT K. EULAU, GARY HARMON, ED)
LARSEN, DAVID G. MOORING, LAURA S.)
STARK, SUBODH TOPRANI, J. THOMAS)
BENTLEY, WILLIAM H. DAVIDOW,)
BRUCE DUNLEVIE, P. MICHAEL)
FARMWALD, CHARLES GESCHKE,)
MARK HOROWITZ, HAROLD HUGHES,)
KEVIN J. KENNEDY, ABRAHAM SOFAER)
and SUNLIN CHOU,)
Defendants,)
– and –)
RAMBUS INC., a Delaware corporation,)
Nominal Defendant.)

NATURE AND SUMMARY OF THE ACTION

1
2 1. This is a shareholder's derivative action brought on behalf of nominal defendant
3 Rambus Inc. ("Rambus" or the "Company") against its entire Board of Directors (the "Board")
4 and certain current and former top executive officers. By this action, plaintiffs seek to remedy
5 defendants' breaches of fiduciary duties, unjust enrichment, statutory violations, and other
6 violations of law, which have virtually destroyed Rambus' once valuable corporate franchise.
7

8 2. On September 6, 2006, the United States Senate Committee on Finance held a
9 hearing, "Executive Compensation: Backdating to the Future/Oversight of current issues
10 regarding executive compensation including backdating of stock options; and tax treatment of
11 executive compensation, retirement and benefits."
12

13 3. At the Senate Finance Committee Hearing, the Chairman of the Securities and
14 Exchange Commission ("SEC"), Christopher Cox, stated, "Rather obviously, this fact pattern [of
15 backdating options] results in a violation of the SEC's disclosure rules, a violation of accounting
16 rules, and also a violation of the tax laws."
17

18 4. In his statement before the Senate Finance Committee Deputy Attorney General
19 Paul J. McNulty, stated, "The practice of stock option backdating to conceal information from
20 corporate boards and regulatory authorities can only be seen as a brazen abuse of corporate
21 power to artificially inflate the salaries of corporate wrongdoers at the expense of shareholders.
22 . . . For some of those companies that have now disclosed backdated grants, corporate
23 reputations have been tarnished and shareholder value has diminished substantially. . . ."
24

25 5. On September 6, 2006, MarketWatch, in an article titled "SEC Probing more than
26 100 firms on options: Cox," quoted the Senate Banking Committee Chairman, Senator Richard
27 Shelby, saying that manipulation of options grant dates "appears to be a black-and-white
28

1 example of securities fraud,” and “Corporate officers and directors engaging in this practice are
2 cheating the owners of the company and should be held accountable to the fullest extent
3 possible.”

4
5 6. Rambus has ***admitted*** that its officers and directors committed the egregious
6 misconduct denounced by these government officials. Specifically, in a June 27, 2006 press
7 release, Rambus admitted that “***the actual measurement dates for certain stock option grants***
8 ***issued in prior years differ from the recorded grant dates for such awards.***” Then on October
9 19, 2006, Rambus confirmed its earlier conclusion and ***admitted to actual option backdating.***

10
11 7. As alleged in detail herein, in gross breach of their fiduciary duties as officers
12 and/or directors of Rambus, the Defendants (as defined herein) colluded with one another to:

- 13 a. improperly backdate dozens of grants of Rambus stock options to
14 former Rambus President and Chief Executive Officer Geoff Tate,
15 and several other Rambus executives, in violation of the
16 Company’s shareholder-approved stock option plans;
- 17 b. improperly record and account for the backdated stock options, in
18 violation of Generally Accepted Accounting Principles (“GAAP”);
- 19 c. improperly take tax deductions based on the backdated stock
20 options, in violation of Section 162(m) of the Internal Revenue
21 Code 26 U.S.C. § 162(m) (“Section 162(m)”); and
- 22 d. produce and disseminate to Rambus shareholders and the market
23 false financial statements and other SEC filings that improperly
24 recorded and accounted for the backdated option grants and
25 concealed the improper backdating of stock options.

26
27 8. As a result of Defendants’ egregious misconduct, Rambus has sustained millions
28 of dollars in damages, and Tate and the other recipients of the backdated stock options have
garnered millions of dollars in unlawful profits.

JURISDICTION AND VENUE

9. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331 in that this Complaint states a federal question. This Court has supplemental jurisdiction over the state law claims asserted herein pursuant to 28 U.S.C. § 1367(a). This action is not a collusive one to confer jurisdiction on a court of the United States which it would not otherwise have.

10. Venue is proper in this District because a substantial portion of the transactions and wrongs complained of herein, including the Defendants' primary participation in the wrongful acts detailed herein, occurred in this District. One or more of the Defendants either resides in or maintains executive offices in this District, and Defendants have received substantial compensation in this District by engaging in numerous activities and conducting business here, which had an effect in this District.

PARTIES

11. Lead Plaintiff Howard Chu is, and was at all relevant times, a shareholder of nominal defendant Rambus.

12. Lead Plaintiff Gaetano Ruggieri is, and was at all relevant times, a shareholder of nominal defendant Rambus.

13. Nominal defendant Rambus is a Delaware corporation with its principal executive offices located at 4440 El Camino Real, Los Altos, California 94022. According to its public filings, Rambus invents and licenses chip interface technologies that are foundational to nearly all digital electronics products. Although Rambus is incorporated in Delaware, Rambus' principal place of business, assets, and employees are all in California. Moreover, Rambus had at least 500 shareholders of record at all relevant times hereto.

1 14. Defendant Geoff Tate (“Tate”) served as Chairman of the Board of Rambus from
2 January 2005 until his resignation in August 2006, and as a part-time executive employee from
3 January 2005 to January 2006. He also served as Rambus’ Chief Executive Officer from May
4 1990 to January 2005 and as its President and a director from May 1990 to December 1999.
5

6 15. Defendant John D. Danforth (“Danforth”) has served as Rambus’ Senior Vice
7 President, General Counsel and Secretary since October 2001.
8

9 16. Defendant Robert K. Eulau (“Eulau”) served as Senior Vice President, Finance,
10 and Chief Financial Officer of Rambus from July 2001 to February 2006.
11

12 17. Defendant Gary Harmon (“Harmon”) served as Rambus’ Senior Vice President,
13 Finance, Chief Financial Officer, and Secretary from December 1999 to July 2001. Harmon also
14 served as Rambus’ Vice President of Finance, Chief Financial Officer, and Secretary from
15 March 1993 to December 1999.
16

17 18. Defendant Ed Larsen (“Larsen”) served as Rambus’ Senior Vice President,
18 Administration from December 1999 to 2003 and as its Vice President, Human Resources from
19 September 1996 to December 1999.
20

21 19. Defendant David G. Mooring (“Mooring”) served as a director of the Company
22 from December 1999 to May 10, 2006. He also served as Rambus’ President from 1999 to 2004
23 and served in a variety of other executive roles at Rambus from 1991 to 2006. Mooring
24 discontinued his role as an executive officer in February 2005 and was a part-time employee of
25 Rambus assisting on licensing, corporate development, and strategy until May 2006.
26

27 20. Defendant Laura S. Stark (“Stark”) has served as Rambus’ Senior Vice President,
28 Platform Solutions since February 2005 and previously served as its Vice President, Memory

1 Interface Division from 2000 to 2005. She also served as the Company's Strategic Accounts
2 Director and Vice President, Alliances and Infrastructure from 1996 to 2000.

3 21. Defendant Subodh Toprani ("Toprani") served as Rambus' Senior Vice President,
4 New Ventures from December 1999 to July 2000. Toprani had also served as Vice President and
5 General Manager of the Logic Products Division of Rambus from March 1997 to December
6 1999, and as its Vice President, Marketing from May 1994 to March 1997.

7
8 22. Collectively, Defendants Tate, Danforth, Eulau, Harmon, Larsen, Mooring, Stark,
9 and Toprani are referred to herein as the "Grantee Defendants."

10
11 23. Defendant J. Thomas Bentley ("Bentley") has served as a director of Rambus
12 since March 2005 and as the Chairman of the Audit Committee of the Board (the "Audit
13 Committee") since May 2005.

14 24. Defendant William H. Davidow, Ph.D. ("Davidow") served as a director of
15 Rambus from March 1990 to May 2005 and served as Chairman of the Board of Directors from
16 March 1990 to January 2005. Davidow was designated a Director Emeritus from May 2005 to
17 June 2006. He also served as a member of the Compensation Committee of the Board (the
18 "Compensation Committee") from 1997 to October 2002 and as a member of the Audit
19 Committee from 1997 to May 2005.

20
21 25. Defendant Bruce Dunlevie ("Dunlevie") has served as a director of Rambus since
22 its founding in March 1990. Dunlevie has also served as a member of the Compensation
23 Committee since 1997 and served as a member of the Audit Committee from 1997 to March
24 2005.

1 26. Defendant P. Michael Farmwald, Ph.D. ("Farmwald") has served as a director
2 since co-founding Rambus in March 1990 and as a member of the Compensation Committee
3 since March 2005.

4
5 27. Defendant Charles Geschke ("Geschke") served as a director of the Company
6 from February 1996 to March 2005. He also served as a member of the Audit Committee from
7 February 1996 to July 2003 and as a member of the Compensation Committee from February
8 1996 to March 2005.

9
10 28. Defendant Mark Horowitz, Ph.D. ("Horowitz") has served as a director since co-
11 founding Rambus in March 1990 and has served as Chief Scientist since May 2005. Horowitz
12 also served as Rambus' Vice President from March 1990 to May 1994.

13 29. Defendant Harold Hughes ("Hughes") has served as Chief Executive Officer and
14 President of Rambus since January 2005 and as a director since June 2003. Hughes also served
15 as a member of the Audit Committee from July 2003 to January 2005.

16
17 30. Defendant Kevin J. Kennedy ("Kennedy") has served as a director of Rambus
18 since April 2003 and is the current Chairman of the Board. Kennedy also served as a member of
19 the Compensation Committee from 2003 to 2006.

20 31. Defendant Abraham Sofaer ("Sofaer") has served as a director of Rambus and as
21 a member of the Audit Committee since May 2005.

22
23 32. Defendant Sunlin Chou ("Chou") has been a director of Rambus since March
24 2006.

25 33. Collectively, defendants Tate, Farmwald, Horowitz, Geschke, Davidow, and
26 Dunlevie are referred to herein as "Grantor Defendants."
27
28

1 34. Collectively, defendants Bentley, Hughes, Kennedy, Sofaer and Chou are referred
2 to herein as “Director Defendants,”

3 35. Collectively, the Grantor Defendants, the Grantee Defendants, and the Director
4 Defendants are referred to herein as the “Defendants.”
5

6 **DUTIES OF THE DEFENDANTS**

7 36. By reason of their positions as officers and/or directors of the Company and
8 because of their ability to control the business and corporate affairs of the Company, Defendants
9 owed the Company and its shareholders the fiduciary obligations of good faith, trust, and loyalty,
10 and were and are required to use their utmost ability to control and manage the Company in a
11 fair, just, honest, and equitable manner. Defendants were and are required to act in furtherance
12 of the best interests of the Company and its shareholders so as to benefit all shareholders equally
13 and not in furtherance of their personal interest or benefit. Each director and officer of the
14 Company owes to the Company and its shareholders the fiduciary duty to exercise good faith and
15 diligence in the administration of the affairs of the Company and in the use and preservation of
16 its property and assets, and the highest obligations of fair dealing.
17

18 37. Defendants, because of their positions of control and authority as directors and/or
19 officers of the Company, were able to and did, directly and/or indirectly, exercise control over
20 the wrongful acts complained of herein.
21

22 38. To discharge their duties, the officers and directors of the Company were required
23 to exercise reasonable and prudent supervision over the management, policies, practices, and
24 controls of the Company. By virtue of such duties, the officers and directors of the Company
25 were required to, among other things:
26

- 27 a. exercise good faith in ensuring that the affairs of the Company
28 were conducted in an efficient, business-like manner so as to

1 make it possible to provide the highest quality performance of
2 its business;

- 3 b. exercise good faith in ensuring that the Company was operated
4 in a diligent, honest and prudent manner and complied with all
5 applicable federal and state laws, rules, regulations and
6 requirements, including acting only within the scope of its legal
7 authority;
- 8 c. exercise good faith in supervising the preparation, filing and/or
9 dissemination of financial statements, press releases, audits,
10 reports or other information required by law, and in examining
11 and evaluating any reports or examinations, audits, or other
12 financial information concerning the financial condition of the
13 Company;
- 14 d. exercise good faith in ensuring that the Company's financial
15 statements were prepared in accordance with GAAP; and
- 16 e. refrain from unduly benefiting themselves and other Company
17 insiders at the expense of the Company.

18 39. Defendants were responsible for establishing and maintaining adequate internal
19 accounting controls for the Company and ensuring that the Company's financial statements were
20 based on accurate financial information. According to GAAP, to accomplish the objectives of
21 accurately recording, processing, summarizing, and reporting financial data, a corporation must
22 establish an internal accounting control structure. Among other things, Defendants were
23 required to:

- 24 (1) make and keep books, records, and accounts, which, in
25 reasonable detail, accurately and fairly reflect the transactions
26 and dispositions of the assets of the issuer; and
- 27 (2) devise and maintain a system of internal accounting controls
28 sufficient to provide reasonable assurances that –
- (a) transactions are executed in accordance with
management's general or specific authorization;

- (b) transactions are recorded as necessary to permit preparation of financial statements in conformity with [GAAP].

40. Rambus' Audit Committee Charter provides that the Audit Committee shall be responsible for, among other things,

- a. Reviewing periodically the Company's accounting and financial reporting processes and internal controls, based on consultation with the Company's management and the independent auditor;
- b. Conducting a review of the annual and interim financial statements and the Company's SEC reports, including Management's Discussion and Analysis. The Committee shall make a recommendation to the Board as to whether the annual, audited financial statements should be included in the Company's annual report on Form 10-K; and
- c. Reviewing before release the unaudited quarterly operating results in the Company's quarterly earnings release, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Company gives earnings guidance.

FACTUAL ALLEGATIONS

Backdating of Stock Option Grants to the Grantee Defendants

41. According to Rambus' proxy statements, at all relevant times hereto the Compensation Committee "review[ed] and ma[de] recommendations to the Board of Directors regarding all forms of compensation to be provided to the executive officers and directors of the Company, including stock compensation."

42. From 1997 to 2001, the Grantor Defendants, based on the recommendations of the Compensation Committee, granted certain Rambus stock options to the Grantee Defendants, as follows:

Purported Date of Grant	Name	Exercise Price	Number of Options
11/05/98	Tate	\$59.3125	90,000
	Mooring	\$59.3125	70,000
	Harmon	\$59.3125	15,000
	Larsen	\$59.3125	50,000
	Toprani	\$59.3125	50,000
10/20/99 ¹	Tate	\$15.67	1,000,000
	Mooring	\$15.67	1,000,000
	Harmon	\$15.67	80,000
	Larsen	\$15.67	160,000
	Toprani	\$15.67	120,000
06/21/01	Eulau	\$9.07	500,000
08/23/01	Tate	\$4.86	600,000
	Mooring	\$4.86	600,000
	Eulau	\$4.86	125,000
	Larsen	\$4.86	160,000
10/08/01	Danforth	\$8.00	400,000

43. Pursuant to the terms of the Company's shareholder-approved stock option plans, including the 1999 Non-Statutory Stock Option Plan, 1999 Stock Plan, and 1997 Stock Plan, the exercise price of options shall be no less than the fair market value on the date of the grant, and fair market value is defined as "the closing sales price for such stock . . . for the last market trading day prior to the time of determination."

44. Pursuant to APB 25, the applicable GAAP provision at the time of the foregoing stock option grants, if the market price on the date of grant exceeds the exercise price of the options, the Company must recognize the difference as an expense.

45. Pursuant to Section 162(m), compensation in excess of \$1 million per year, including gains on stock options, paid to a corporation's five most highly-compensated officers is tax deductible only if: (i) the compensation is payable solely on account of the attainment of

¹ The exercise price and the amount of options purportedly granted on October 20, 1999 have been adjusted for the Company's 4-for-1 stock split effective June 15, 2000.

one or more performance goals; (ii) the performance goals are determined by a compensation committee comprised solely of two or more outside directors, (iii) the material terms under which the compensation is to be paid, including the performance goals, are disclosed to shareholders and approved by a majority of the vote in a separate shareholder vote before the payment of the compensation, and (iv) before any payment of such compensation, the compensation committee certifies that the performance goals and any other material terms were in fact satisfied.

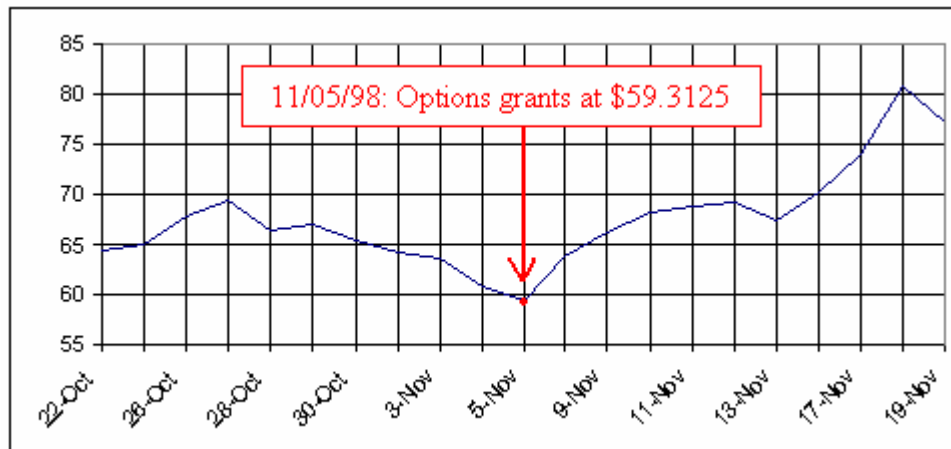
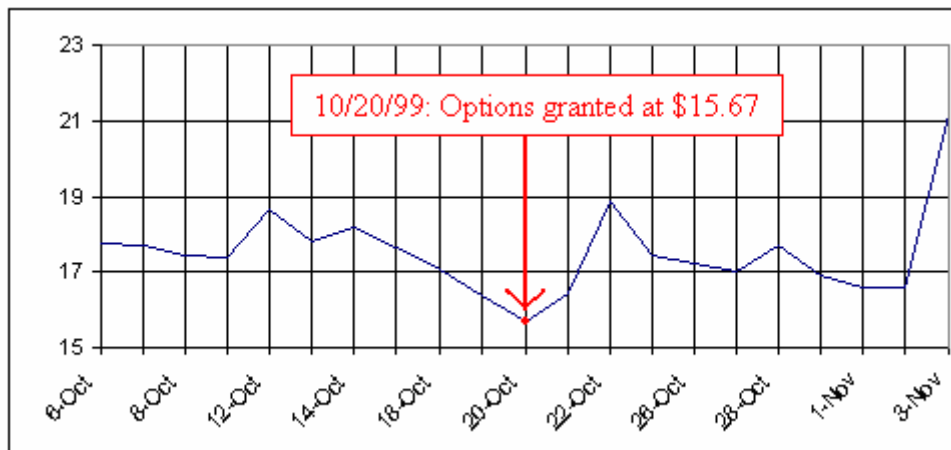
46. In a striking pattern that could not have been the result of chance, each and every one of the foregoing stock option grants was dated just after a sharp drop and just before a substantial rise in Rambus' stock price, as demonstrated in the following charts:

a. Summary of Option Grants and Surrounding Stock Price Performance

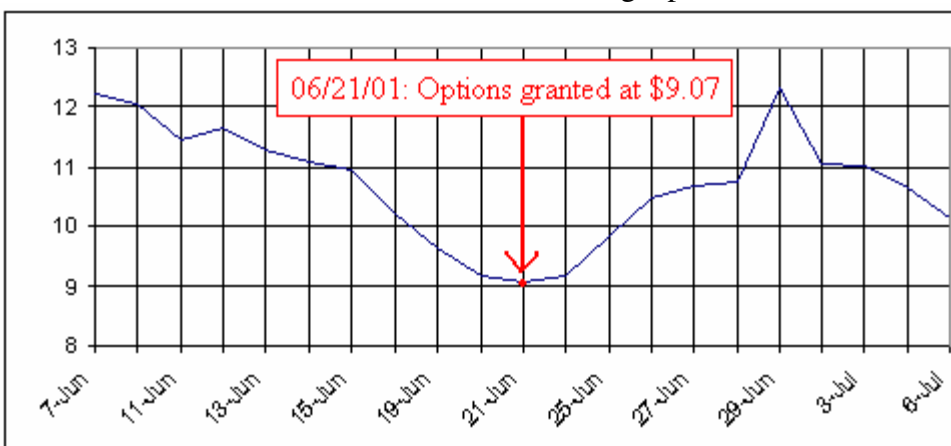
Purported Date of Grant	Exercise Price	Stock Price 10 Trading Days Before Purported Grant Date	Stock Price 10 Trading Days After Purported Grant Date	% Rise in Stock Price After Purported Grant Date
11/05/98	\$59.3125	\$64.44	\$77.25	30.24%
10/20/99 ²	\$15.67	\$17.74	\$21.13	34.81%
06/21/01	\$9.07	\$12.25	\$10.16	12.02%
08/23/01	\$4.86	\$8.00	\$6.42	32.10%
10/08/01	\$8.00	\$8.19	\$9.67	20.88%

² The exercise price and closing prices pertinent to the options purportedly granted on October 20, 1999 have been adjusted for the Company's 4-for-1 stock split effective June 15, 2000.

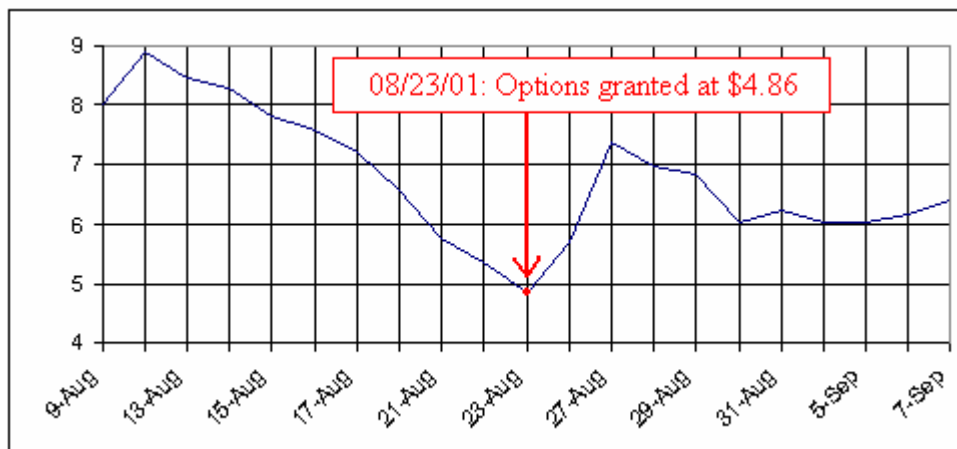
b. Stock Price Performance Surrounding Options Grant Dated 11/05/98

c. Stock Price Performance Surrounding Options Grant Dated 10/20/99³

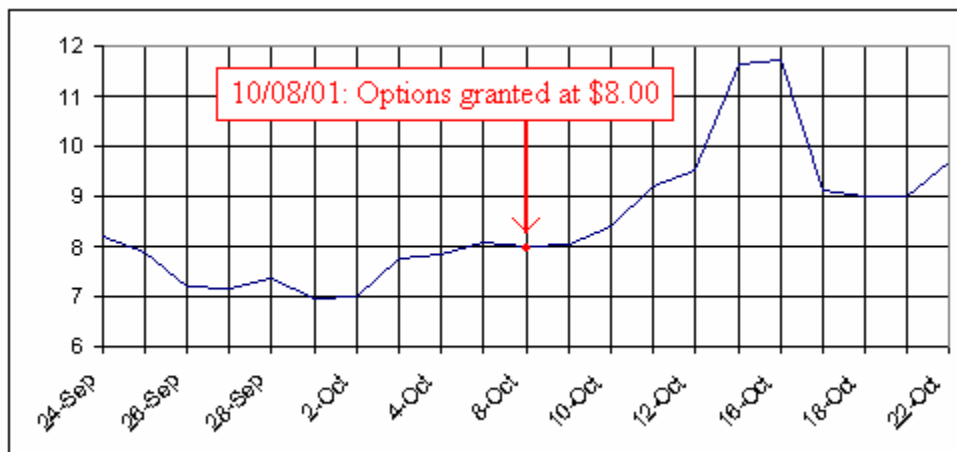
d. Stock Price Performance Surrounding Options Grant Dated 06/21/01

³ See *id.*

e. Stock Price Performance Surrounding Options Grant Dated 08/23/01



f. Stock Price Performance Surrounding Options Grant Dated 10/08/01



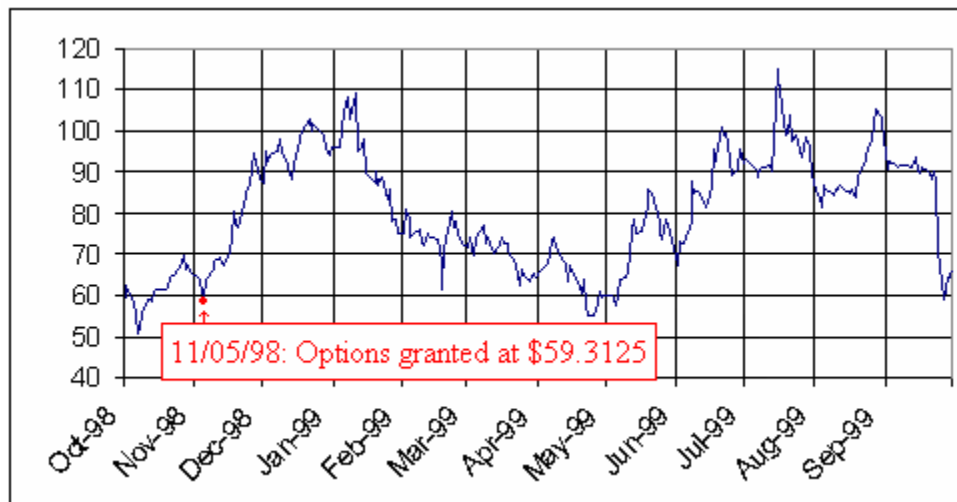
47. The reason for the extraordinary pattern set forth in the preceding paragraph is that the purported grant dates set forth therein were not the actual dates on which the stock option grants were made. Rather, at the behest of the Grantee Defendants, the Grantor Defendants improperly backdated the stock option grants to make it appear as though the grants were made on dates when the market price of Rambus stock was lower than the market price on the actual grant dates. This improper backdating, which violated the terms of the Company's shareholder-approved stock option plans, resulted in option grants with lower exercise prices, which improperly increased the value of the options to the Grantee Defendants and improperly

reduced the amount the Grantee Defendants had to pay the Company upon exercise of the options.

48. According to a statistical analysis conducted by Lead Plaintiffs, there is a 99.7% likelihood that the fortuitous pattern of options grants alleged herein was not the result of random chance. Indeed, the only explanation that is consistent with the observed pattern is that the options were backdated to coincide with favorable dates when the price of Rambus stock was particularly low.

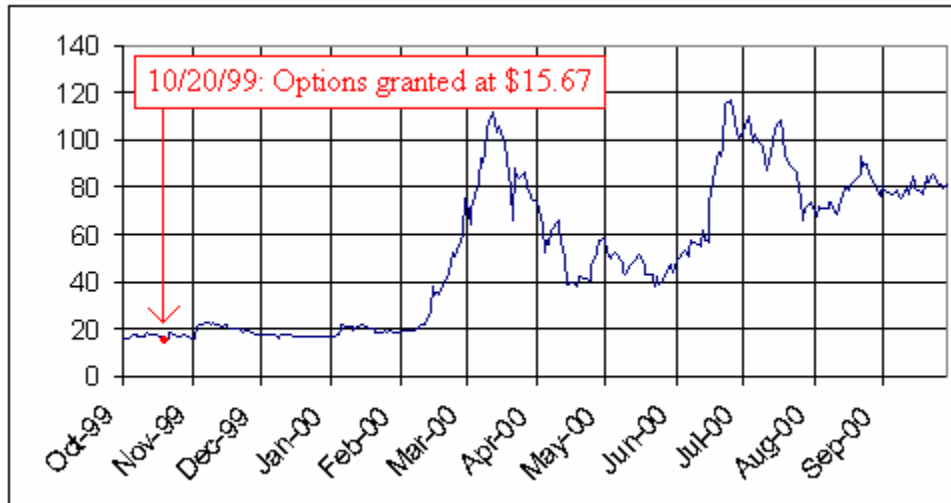
49. Defendants' backdating of stock options was particularly egregious in fiscal years 1999, 2000, and 2001, when they backdated options to coincide with some of Rambus' lowest closing prices of those respective years, as demonstrated in the following charts:

a. Closing Stock Prices of Fiscal Year Ended September 30, 1999

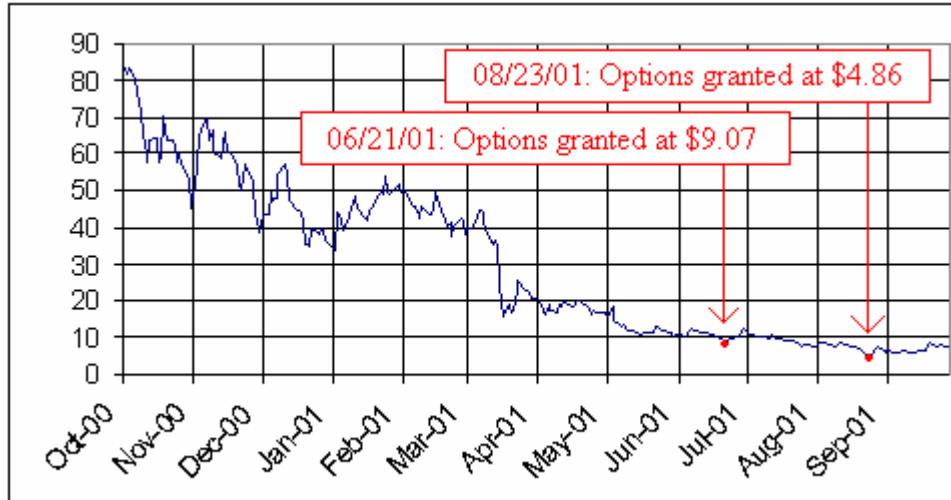


b. Closing Stock Prices of Fiscal Year Ended September 30, 2000⁴

⁴ The exercise price and closing prices pertinent to the options purportedly granted on October 20, 1999 have been adjusted for the Company's 4-for-1 split effective June 15, 2000.



c. Closing Stock Prices of Fiscal Year Ended September 30, 2001



Rambus' Admissions

50. Rambus eventually admitted what the statistics show – that the option grants were in fact backdated.

51. On July 19, 2006, Rambus issued a press release announcing the restatement of its financial statements in relation to stock-based compensation and *admitting to actual backdating of Rambus stock options*:

The audit committee had reached a conclusion that the actual measurement dates for certain historical stock option grants differ from the recorded grant dates for such awards. . . . The audit committee has

determined, based on further analysis, that non-cash stock-based compensation expenses should have been recorded with respect to those stock option grants and recognized over the vesting period of the options, and that the amount of such additional expenses is material.

Further, the audit committee . . . has concluded that its previously issued financial statements for the fiscal years 2003, 2004, 2005, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, the Quarterly Reports on Form 10-Q filed with respect to each of these fiscal years and the financial statements included in the Company's Quarterly Report on Form 10-Q for the first quarter of fiscal year 2006, should no longer be relied upon and will be restated. In addition, the restatement will affect financial statements for prior fiscal years and the Company will reflect those adjustments as a part of the opening balances in the financial statements for the restatement period.

52. On October 19, 2006, Rambus issued a press release announcing the completion of the Audit Committee's investigation into its historical option granting practices and *confirming its earlier conclusion that the stock option grants were in fact backdated.*

Rambus Inc. (NASDAQ: RMBS) today announced that the Audit Committee of its Board of Directors has reported to the full Board of Directors its findings in connection with its independent investigation into historical stock option grants. The Audit Committee examined over 200 stock option granting actions from the time of Rambus' initial public offering through the commencement of the investigation in late May 2006. The Audit Committee has determined that a significant number of the stock option grants were not correctly dated or accounted for. The vast majority of incorrectly dated grants, both in terms of number of shares of common stock and financial accounting impact, occurred between 1998 and 2001. Rambus preliminarily estimates that the aggregate pre-tax, non-cash stock-based compensation charges in connection with these stock option grants will be in excess of \$200 million. Rambus' management will continue the work necessary to determine the precise accounting impact of the findings of the investigation and to complete the necessary restatements of Rambus' prior financial reports. . . .

Background Leading to the Investigation

Earlier this year, an academic study and numerous subsequent press reports began to publicize the likely widespread occurrence of accounting and corporate governance irregularities with respect to the granting of stock options and other equity awards at over 100 companies, many in the high-tech sector. As a result, in late May 2006, Rambus conducted an initial review which discovered apparent irregularities in past stock option

1 grants. Management reported its findings to the Audit Committee and the
2 full Board of Directors.

3 **Commencement of Independent Investigation**

4 On May 30, 2006, Rambus announced the commencement of the Audit
5 Committee's internal investigation of the timing of stock option grant
6 practices and related accounting issues. Each of the directors on the audit
7 committee had joined the Rambus Board of Directors and Audit
8 Committee after January 1, 2005.

9 The Audit Committee retained Heller Ehrman LLP as independent legal
10 counsel, and Heller Ehrman LLP engaged the outside accounting firm of
11 Ernst & Young LLP to assist in the investigation.

12 **Results of the Investigation to Date**

13 The independent investigation has taken over four months and consisted of
14 a review of over 200 stock option granting actions. The review
15 encompassed over 1.5 million emails and other documents, and over 50
16 interviews with executive officers, directors, employees and advisors.

17 On June 27, 2006, Rambus announced that the Audit Committee had
18 reached a preliminary conclusion that the actual measurement dates for
19 certain stock option grants issued in prior years differ from the recorded
20 grant dates for such awards.

21 On July 19, 2006, Rambus announced that as a result of the independent
22 investigation, it expected to restate its previously issued financial
23 statements to correct errors related to accounting for stock-based
24 compensation expenses, and that non-cash stock-based compensation
25 expenses should have been recorded with respect to those stock option
26 grants in an amount that was material.

27 On August 15, 2006, Rambus announced the resignation of Geoff Tate,
28 former Chief Executive Officer of Rambus from 1990 through 2005, from
its Board of Directors. Mr. Tate was Chief Executive Officer and the sole
member of the Stock Option Committee during the period that the Audit
Committee had preliminarily concluded that the majority of stock option
irregularities occurred.

On October 17, 2006, the Audit Committee completed its findings with
respect to the pricing of Rambus' stock option grants. The Audit
Committee presented its findings to the Board of Directors on October 18,
2006. As indicated above, the Audit Committee has determined that a
*significant number of Rambus stock option grants were not correctly
dated and accounted for, with the vast majority of incorrectly dated*

1 *grants occurring between 1998 and 2001.* Virtually all of the incorrectly
2 dated stock option grants fit into three categories:

3 > Between 1998 and 2001, a substantial number of stock options were
4 granted by Rambus for which the appropriate measurement dates differ
5 from the recorded grant dates. The majority of the non-cash compensation
6 expense associated with Rambus' financial restatement will relate to
7 grants on five dates within this time period.

8 > In addition, the Audit Committee found that during the period from
9 1999 through 2003, Rambus had a regular practice for grants to new hire
10 non-executive employees of selecting the lowest price of the quarter
11 between the employee's start date and the end of the quarter. On certain
12 occasions, individual employees had a formal employment start date
13 which preceded the date on which they actually began working for
14 Rambus. The result of this practice was that an employee would receive
15 the new hire grant at a grant price that was lower than the price of the
16 stock on the employee's actual start date.

17 > Rambus also had three stock option grants during 2003 and 2004 for
18 which the price was set on the same date as a Board of Directors or
19 Compensation Committee meeting date at which a pool of stock options
20 was discussed, but the individual allocations of the stock option pool had
21 not been completed as of the date of those meetings and, consequently,
22 Rambus recorded an incorrect measurement date for those grants.

23 The results of the investigation confirm the Audit Committee's previous
24 conclusion that Rambus' financial statements for the fiscal years 2003,
25 2004, 2005, the Quarterly Reports on Form 10-Q filed with respect to each
26 of these fiscal years and the financial statements included in Rambus'
27 Quarterly Report on Form 10-Q for the first quarter of fiscal year 2006,
28 ***should no longer be relied upon and will be restated.*** Rambus'
management will continue to work to determine the precise accounting
impact of the findings of the investigation and to complete the necessary
restatements to Rambus' prior financial reports. Rambus will continue to
work closely with Rambus' independent accountants in its restatements.
Rambus preliminarily estimates that the aggregate pre-tax, non-cash stock-
based compensation charges in connection with these stock option grants
will be in excess of \$200 million. Also as a result of the investigation,
Rambus has been unable to file its quarterly report on Form 10-Q for the
period ended June 30, 2006, and will not be in a position to file its
quarterly report on Form 10-Q for the period ended September 30, 2006
(which is due to be filed with the Securities and Exchange Commission
(the "SEC") on November 9, 2006).

1 Rambus has not yet determined the tax consequences that may result from
2 these matters or whether tax consequences will give rise to monetary
3 liabilities which may have to be satisfied in any future period.

4 Rambus will make every effort to file its restated financial statements and
5 its delinquent quarterly reports as soon as practicable after the completion
6 of accounting, tax and legal analyses required as a result of the
7 investigation.

8 Additionally, Rambus is evaluating Management's Report on Internal
9 Control Over Financial Reporting set forth in Rambus' 2005 Annual
10 Report. Although Rambus has not yet completed its analysis, the results of
11 the investigation confirm Rambus' determination that it is likely that
12 *Rambus had a material weakness in internal control over financial
13 reporting as of December 31, 2005.* . . . (emphasis added).

14 53. Pursuant to the Company's shareholder-approved stock option plans, the members
15 of the Compensation Committee, Davidow, Dunlevie, and Geschke, made recommendations
16 regarding stock option grants to the full Board, and the Board then made the grants.
17 Accordingly, both the Compensation Committee members and all the other Grantor Defendants
18 had actual knowledge of, and directly participated in, the backdating of stock option grants.
19 Davidow, Dunlevie, and Geschke, who also served on the Audit Committee, further knew that
20 Rambus' financial statements were false and misleading because Rambus accounted for stock
21 option compensation in violation of APB 25 and took tax deductions in violation of Section
22 162(m).

23 54. The backdating of stock options and the falsity of Rambus' financial statements
24 were well-known in Rambus' boardroom throughout the relevant period. Through their review
25 of the Company's books and records, and meetings and conversations with the Grantor
26 Defendants and other Company personnel, all of the Defendants had actual knowledge of the
27 backdating and the resulting falsity of the Company's financial statements.
28

1 **Defendants' Dissemination of False Financial Statements**

2 55. As a result of the improper backdating of stock options, the Company, with the
3 knowledge, approval, and participation of each of the Defendants,

- 4
- 5 a. violated the terms of the Company's shareholder-approved stock
6 option plans by granting stock options with exercise prices less
7 than the fair market value of the stock on the actual date of grant;
- 8 b. violated APB 25 by failing to recognize compensation expenses
9 incurred when the improperly backdated options were granted;
- 10 c. violated Section 162(m) by taking tax deductions based on stock
11 option grants that were not payable solely on account of the
12 attainment of one or more performance goals and violated the
13 terms of the Company's shareholder-approved stock option plans;
14 and
- 15 d. produced and disseminated to Rambus shareholders and the market
16 false financial statements that improperly recorded and accounted
17 for the backdated option grants, and thereby understated
18 compensation expenses and overstated net income.

19 56. The Company, with the knowledge, approval, and participation of each of the
20 Defendants, disseminated its false financial statements in, *inter alia*, the following Form 10-K
21 filings:

- 22 a. Form 10-K405 for year ended September 30, 1999, filed with the
23 SEC on December 23, 1999 and signed by defendants Tate,
24 Mooring, Harmon, Davidow, Dunlevie, Farmwald, Geschke, and
25 Horowitz;
- 26 b. Form 10-K for year ended September 30, 2000, filed with the SEC
27 on November 30, 2000 and signed by defendants Tate, Mooring,
28 Harmon, Davidow, Dunlevie, Farmwald, Geschke, and Horowitz;
- c. Form 10-K405 for year ended September 30, 2001, filed with the
SEC on December 4, 2001 and signed by defendants Tate,
Mooring, Eulau, Davidow, Dunlevie, Farmwald, Geschke, and
Horowitz;

- 1 d. Form 10-K for year ended September 30, 2002, filed with the SEC
2 on November 26, 2002 and signed by defendants Tate, Mooring,
3 Eulau, Davidow, Dunlevie, Farmwald, Geschke, and Horowitz;
- 4 e. Form 10-K for year ended December 31, 2003, filed with the SEC
5 on February 13, 2004 and signed by defendants Tate, Mooring,
6 Eulau, Davidow, Dunlevie, Farmwald, Geschke, Horowitz, and
7 Hughes;
- 8 f. Form 10-K for year ended December 31, 2004, filed with the SEC
9 on February 17, 2005 and signed by defendants Hughes, Eulau,
10 Tate, Davidow, Dunlevie, Farmwald, Geschke, Horowitz,
11 Kennedy, and Mooring; and
- 12 g. Form 10-K for year ended December 31, 2005, filed with the SEC
13 on February 21, 2006 and signed by defendants Eulau, Tate,
14 Dunlevie, Farmwald, Horowitz, Mooring, Hughes, Bentley,
15 Sofaer, and Kennedy.

16 57. Furthermore, in each of its Form 10-K Annual Reports filed with the SEC for
17 fiscal years 1997 through 2004, the Company, with the knowledge, approval, and participation of
18 each of the Defendants, falsely represented that it followed APB 25 to account for stock-based
19 compensation:

20 Stock-Based Compensation

21 Rambus accounts for stock-based awards to employees using the intrinsic
22 value method in accordance with Accounting Principles Board Opinion
23 No. 25, "Accounting for Stock Issued to Employees." Stock options are
24 generally granted with exercise prices equivalent to fair market value, and
25 no compensation cost is recognized. When stock options are granted with
26 exercise prices below fair market value, employee stock-related
27 compensation expense is recognized accordingly. Rambus complies with
28 the disclosure provisions as required under Statement of Financial
Accounting Standards No. 123, or SFAS 123, "Accounting for Stock-
Based Compensation."

58. Defendants Tate, Hughes, and Eulau filed false Certifications of Chief Executive
Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (the "Certification"), certifying that the Annual

1 Reports of Rambus on Form 10-Ks “fully complied with the requirements of Section 13(a) and
 2 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual
 3 Report[s] on 10-K[s] fairly presents in all material respects the financial conduction and results
 4 of operations of Rambus.” Defendants Tate, Hughes, and Eulau signed the following
 5 certifications:
 6

- 7 a. Tate and Eulau signed the false Certification for the Form 10-K for the
 8 fiscal year ended September 30, 2002 filed on November 26, 2002;
- 9 b. Tate and Eulau signed the false Certification for the Form 10-K for the
 10 fiscal year ended December 31, 2003 filed on February 13, 2004;
- 11 c. Hughes and Eulau signed the false Certification for the Form 10-K for the
 12 fiscal year ended December 31, 2004 filed on February 17, 2005; and
- 13 d. Hughes and Eulau signed the false Certification for the Form 10-K for the
 14 fiscal year ended December 31, 2005 filed on February 21, 2006.

Defendants’ Concealment of Their Misconduct

15 59. From 2000 to 2002, the Company, with the knowledge, approval, and
 16 participation of each of the Defendants, for the purpose and with the effect of concealing the
 17 improper option backdating, disseminated to shareholders and filed with the SEC annual proxy
 18 statements that falsely reported the dates of stock option grants to the Grantee Defendants and
 19 falsely stated that options were granted to the Grantee Defendants at “fair market value of the
 20 stock on the date of the grant,” as follows:
 21

- 22 a. Rambus’ proxy statement filed with the SEC on January 10, 2000
 23 falsely reported that options granted to Tate, Mooring, Harmon,
 24 Larsen, and Toprani were granted on November 5, 1998, and that
 25 the exercise price of these options were “equal to the fair market
 26 value of the Company’s Common Stock at the date of the grant.”
 In fact, those options were backdated as particularized above in ¶ 47.
- 27 b. Rambus’ proxy statement filed with the SEC on December 22,
 28 2000 falsely reported that options granted to Tate, Mooring,
 Harmon, Larsen, and Toprani were granted on October 20, 1999,

1 and that the exercise price of these options were “equal to the fair
2 market value of the Company’s Common Stock at the date of the
3 grant.” In fact, those options were backdated as particularized
above in ¶ 47.

4 c. Rambus’ proxy statement filed with the SEC on December 14,
5 2001 falsely reported that options granted to Tate, Mooring, Eulau,
6 and Larsen were granted on August 23, 2001 and other options
7 granted to Eulau were granted on June 21, 2001, and that the
8 exercise price of these options were “equal to the fair market value
of the Company’s Common Stock at the date of the grant.” In fact,
those options were backdated as particularized above in ¶ 47.

9 d. Rambus’ proxy statement filed with the SEC on December 19,
10 2002 falsely reported that options granted to Danforth were
11 granted on October 8, 2001 and April 10, 2002 and options granted
12 to Tate and Mooring were granted on November 15, 2001, and that
13 the exercise price of these options were “equal to the fair market
value of Rambus Common Stock at the date of the grant.” In fact,
those options were backdated as particularized above in ¶ 47.

14 60. From 2003 to 2006, the Company, with the knowledge, approval, and
15 participation of each of the Defendants, for the purpose and with the effect of concealing the
16 improper option backdating, filed with the SEC Forms 4 that falsely reported the dates of stock
17 option grants to the Grantee Defendants, as follows:

18 a. Larsen’s Forms 4 filed with the SEC on April 23, 2003 and July
19 21, 2003 falsely reported that options granted to Larsen had been
20 granted on August 23, 2001;

21 b. Eulau’s Forms 4 filed with the SEC on July 22, 2003 and October
22 23, 2003 falsely reported that options granted to Eulau had been
granted on August 23, 2001;

23 c. Larsen’s Form 4 filed with the SEC on October 23, 2003 falsely
24 reported that options granted to Larsen had been granted on August
23, 2001;

25 d. Eulau’s Form 4 filed with the SEC on December 19, 2003 falsely
26 reported that options granted to Eulau had been granted on June
27 21, 2001;

- e. Mooring's Form 4 filed with the SEC on January 23, 2004 falsely reported that options granted to Mooring had been granted on August 23, 2001;
- f. Larsen's Form 4 filed with the SEC on January 23, 2004 falsely reported that options granted to Larsen had been granted on November 5, 1998;
- g. Danforth's Form 4 filed with the SEC on January 23, 2004 falsely reported that options granted to Danforth had been granted on October 8, 2001;
- h. Mooring's Form 4 filed with the SEC on January 28, 2004 falsely reported that options granted to Mooring had been granted on August 23, 2001;
- i. Eulau's Form 4 filed with the SEC on February 5, 2004 falsely reported that options granted to Eulau had been granted on August 23, 2001;
- j. Danforth's Form 4 filed with the SEC on February 5, 2004 falsely reported that options granted to Danforth had been granted on October 8, 2001;
- k. Mooring's Form 4 filed with the SEC on March 1, 2004 falsely reported that options granted to Mooring had been granted on November 5, 1998 and August 23, 2001.
- l. Larsen's Form 4 filed with the SEC on March 1, 2004 falsely reported that options granted to Larsen had been granted on October 20, 1999.
- m. Danforth's Form 4 filed with the SEC on March 4, 2004 falsely reported that options granted to Danforth had been granted on October 8, 2001;
- n. Eulau's Form 4 filed with the SEC on March 4, 2004 falsely reported that options granted to Eulau had been granted on August 23, 2001;
- o. Danforth's Form 4 filed with the SEC on April 5, 2004 falsely reported that options granted to Danforth had been granted on October 8, 2001;
- p. Eulau's Form 4 filed with the SEC on April 5, 2004 falsely reported that options granted to Eulau had been granted on August 23, 2001;

- 1 q. Stark's Form 4 filed with the SEC on April 29, 2004 falsely
2 reported that options granted to Stark had been granted on August
3 23, 2001;
- 4 r. Eulau's Form 4 filed with the SEC on May 6, 2004 falsely reported
5 that options granted to Eulau had been granted on June 21, 2001
6 and August 23, 2001;
- 7 s. Stark's Forms 4 filed with the SEC on July 22, 2004 and October
8 22, 2004 falsely reported that options granted to Stark had been
9 granted on August 23, 2001;
- 10 t. Tate's Form 4 filed with the SEC on December 2, 2004 falsely
11 reported that options granted to Tate had been granted on
12 November 5, 1998 and October 20, 1999;
- 13 u. Eulau's Form 4 filed with the SEC on December 2, 2004 falsely
14 reported that options granted to Eulau had been granted on June
15 21, 2001 and August 23, 2001;
- 16 v. Eulau's Form 4 filed with the SEC on January 4, 2005 falsely
17 reported that options granted to Eulau had been granted on June
18 21, 2001 and August 23, 2001;
- 19 w. Stark's Forms 4 filed with the SEC on May 4, 2005, July 27, 2005,
20 and November 1, 2005 falsely reported that options granted to
21 Stark had been granted on August 23, 2001;
- 22 x. Eulau's Form 4 filed with the SEC on January 9, 2006 falsely
23 reported that options granted to Eulau had been granted on June
24 21, 2001 and August 23, 2001;
- 25 y. Danforth's Form 4 filed with the SEC on January 10, 2006 falsely
26 reported that options granted to Danforth had been granted on
27 October 8, 2001;
- 28 z. Eulau's Form 4 filed with the SEC on January 10, 2006 falsely
 reported that options granted to Eulau had been granted on June
 21, 2001 and August 23, 2001;
- aa. Danforth's Form 4 filed with the SEC on January 12, 2006 falsely
 reported that options granted to Danforth had been granted on
 October 8, 2001;
- bb. Eulau's Forms 4 filed with the SEC on January 12, 2006 and
 January 18, 2006 falsely reported that options granted to Eulau had
 been granted on June 21, 2001;

- 1 cc. Danforth's Form 4 filed with the SEC on January 18, 2006 falsely
2 reported that options granted to Danforth had been granted on
3 October 8, 2001;
- 4 dd. Eulau's Form 4 filed with the SEC on January 23, 2006 falsely
5 reported that options granted to Eulau had been granted on June
6 21, 2001;
- 7 ee. Mooring's Form 4 filed with the SEC on January 26, 2006 falsely
8 reported that options granted to Mooring had been granted on
9 August 23, 2001.
- 10 ff. Stark's Form 4 filed with the SEC on January 26, 2006 falsely
11 reported that options granted to Stark had been granted on August
12 23, 2001;
- 13 gg. Mooring's Form 4 filed with the SEC on January 31, 2006 falsely
14 reported that options granted to Mooring had been granted on
15 November 5, 1998.
- 16 hh. Danforth's Form 4 filed with the SEC on February 3, 2006 falsely
17 reported that options granted to Danforth had been granted on
18 October 8, 2001;
- 19 ii. Eulau's Form 4 filed with the SEC on February 3, 2006 falsely
20 reported that options granted to Eulau had been granted on June
21 21, 2001 and August 23, 2001;
- 22 jj. Eulau's Form 4 filed with the SEC on February 7, 2006 falsely
23 reported that options granted to Eulau had been granted on June
24 21, 2001;
- 25 kk. Mooring's Form 4 filed with the SEC on February 21, 2006 falsely
26 reported that options granted to Mooring had been granted on
27 November 5, 1998;
- 28 ll. Mooring's Forms 4 filed with the SEC on February 22, 2006 and
February 27, 2006 falsely reported that options granted to Mooring
had been granted on November 5, 1998 and October 20, 1999;
- mm. Mooring's Form 4 filed with the SEC on March 2, 2006 falsely
reported that options granted to Mooring had been granted on
October 20, 1999 and August 23, 2001;
- nn. Danforth's Form 4 filed with the SEC on March 2, 2006 falsely
reported that options granted to Danforth had been granted on
October 8, 2001;

- oo. Eulau's Form 4 filed with the SEC on March 2, 2006 falsely reported that options granted to Eulau had been granted on June 21, 2001;
- pp. Mooring's Forms 4 filed with the SEC on March 3, 2006 and March 8, 2006 falsely reported that options granted to Mooring had been granted on October 20, 1999;
- qq. Danforth's Forms 4 filed with the SEC on March 22, 2006, March 30, 2006, April 5, 2006, April 7, 2006, and April 12, 2006 falsely reported that options granted to Danforth had been granted on October 8, 2001;
- rr. Stark's Form 4 filed with the SEC on April 28, 2006 falsely reported that options granted to Stark had been granted on November 5, 1998 and August 23, 2001;
- ss. Mooring's Form 4 filed with the SEC on May 3, 2006 falsely reported that options granted to Mooring had been granted on August 23, 2001;
- tt. Danforth's Form 4 filed with the SEC on May 3, 2006 falsely reported that options granted to Danforth had been granted on October 8, 2001;
- uu. Stark's Form 4 filed with the SEC on May 3, 2006 falsely reported that options granted to Stark had been granted on November 5, 1998 and October 20, 1999;
- vv. Stark's Form 4 filed with the SEC on May 4, 2006 falsely reported that options granted to Stark had been granted on November 5, 1998;

61. Defendants continued to conceal their foregoing misconduct until May 16, 2006, when the Center for Financial Research and Analysis identified several companies, including Rambus, at high risk for having backdated options.

Defendants' Insider Selling

62. Between 2003 and 2006, certain of the Defendants (collectively, the "Insider Selling Defendants"), while in possession of materially adverse non-public information regarding the backdating of stock options and the false financial statements resulting therefrom,

sold more than \$200 million in Rambus stock, a significant portion of which was obtained through the exercise of improperly backdated stock options, as demonstrated below:

NAME	TRANSACTION DATE	SHARES SOLD	PRICE/SHARE	PROCEEDS
Danforth	01/21/04	40,000	\$33.10	\$1,324,120.000
	02/03/04	40,000	\$30.01	\$1,200,268.000
	03/03/04	40,000	\$31.66	\$1,266,576.000
	04/02/04	20,000	\$28.46	\$569,132.000
	01/09/06	10,000	\$25.00	\$250,000.000
	01/11/06	10,000	\$30.08	\$300,787.000
	01/17/06	20,000	\$35.38	\$707,666.000
	02/01/06	10,000	\$27.78	\$277,762.000
	03/01/06	5,000	\$31.51	\$157,544.000
	03/20/06	13,005	\$35.00	\$455,175.000
	03/21/06	36,995	\$35.29	\$1,305,505.457
	03/29/06	3,310	\$40.00	\$132,400.000
	03/30/06	2,600	\$40.08	\$104,211.900
	04/03/06	10,000	\$39.33	\$393,300.000
	04/06/06	15,000	\$40.84	\$612,646.500
	04/07/06	15,000	\$41.91	\$628,594.500
	04/10/06	9,090	\$42.03	\$382,070.880
	05/01/06	6,945	\$38.90	\$270,149.388
	05/01/06	3,055	\$38.90	\$118,834.612
	07/24/06	140	\$14.87	\$2,081.800
Total =				\$10,458,825.037
Davidow	07/26/04	20,000	\$15.98	\$319,572.000
	08/18/04	20,000	\$15.00	\$300,000.000
	09/15/04	20,000	\$15.00	\$300,000.000
	10/20/04	20,000	\$17.66	\$353,278.000
	11/15/04	20,000	\$19.29	\$385,768.000
	12/15/04	20,000	\$27.47	\$549,314.000
	01/18/05	20,000	\$20.97	\$419,498.000
	02/15/05	20,000	\$18.58	\$371,648.000
	03/21/05	20,000	\$16.40	\$328,028.000
	05/06/05	17,916	\$14.07	\$252,017.206
	05/06/05	12,916	\$14.07	\$181,684.206
	05/13/05	20,000	\$15.00	\$300,000.000
	05/19/05	20,000	\$15.00	\$300,000.000

	06/15/05	12,870	\$15.00	\$193,050.000
	05/01/06	10,000	\$38.85	\$388,489.000
	05/02/06	10,000	\$38.13	\$381,327.000
	05/03/06	10,000	\$35.66	\$356,574.000
	05/04/06	10,000	\$36.33	\$363,345.000
	05/05/06	10,000	\$36.97	\$369,663.000
	05/08/06	10,000	\$37.02	\$370,158.000
	05/09/06	10,000	\$37.37	\$373,663.000
	05/11/06	10,000	\$33.54	\$335,438.000
	05/12/06	10,000	\$31.71	\$317,068.000
	05/10/06	10,000	\$36.36	\$363,613.000
Total =				\$8,173,195.411
Dunlevie	02/03/04	2,000	\$30.11	\$60,220.000
	02/03/04	1,100	\$30.09	\$33,099.000
	02/03/04	900	\$30.10	\$27,090.000
	02/26/04	2,000	\$32.90	\$65,800.000
	02/26/04	2,000	\$32.90	\$65,800.000
	01/24/06	8,000	\$34.91	\$279,260.000
	01/25/06	30,000	\$34.92	\$1,047,522.000
	01/25/06	20,000	\$34.96	\$699,200.000
	05/03/06	4,000	\$35.84	\$143,361.600
	05/03/06	4,000	\$35.80	\$143,217.600
	05/03/06	4,000	\$35.65	\$142,582.800
	05/03/06	4,000	\$35.72	\$142,892.000
	05/04/06	30,000	\$36.32	\$1,089,600.000
Total =				\$3,939,645.000
Eulau	07/18/03	3,000	\$18.93	\$56,790.000
	07/18/03	9,090	\$18.91	\$171,891.900
	07/21/03	20,910	\$18.61	\$389,135.100
	10/21/03	30,000	\$25.49	\$764,739.000
	02/03/04	9,444	\$30.01	\$283,383.275
	02/03/04	556	\$30.01	\$16,683.725
	02/03/04	1,592	\$30.01	\$47,770.666
	03/02/04	1,736	\$32.23	\$55,947.808
	03/02/04	8,264	\$32.23	\$266,332.192
	04/02/04	1,736	\$28.46	\$49,400.658
	04/02/04	8,264	\$28.46	\$235,165.342
	05/04/04	8,249	\$20.00	\$164,980.000
	05/04/04	1,736	\$20.00	\$34,720.000

05/04/04	15	\$20.00	\$300.000
05/04/04	1,870	\$20.00	\$37,400.000
11/15/04	150	\$18.92	\$2,838.000
11/16/04	10,417	\$20.00	\$208,340.000
11/16/04	8,000	\$20.00	\$160,000.000
11/16/04	41,583	\$20.00	\$831,660.000
12/02/04	1,736	\$24.34	\$42,255.802
12/02/04	1,333	\$24.34	\$32,446.420
12/02/04	6,931	\$24.34	\$168,706.778
01/04/05	1,736	\$21.66	\$37,594.642
01/04/05	1,334	\$21.66	\$28,888.971
01/04/05	6,930	\$21.66	\$150,075.387
11/23/05	200	\$15.62	\$3,123.000
01/05/06	15,000	\$22.43	\$336,489.000
01/05/06	15,000	\$22.43	\$336,489.000
01/06/06	5,834	\$22.01	\$128,393.505
01/06/06	9,166	\$22.01	\$201,723.495
01/06/06	5,834	\$22.01	\$128,393.505
01/06/06	9,166	\$22.01	\$201,723.495
01/09/06	8,166	\$23.61	\$192,764.963
01/09/06	6,834	\$23.61	\$161,322.037
01/09/06	8,166	\$23.61	\$192,764.963
01/09/06	6,834	\$23.61	\$161,322.037
01/10/06	15,000	\$27.71	\$415,720.500
01/11/06	65,000	\$30.49	\$1,981,668.000
01/12/06	15,000	\$33.00	\$494,959.500
01/13/06	15,000	\$32.14	\$482,097.000
01/17/06	26,613	\$36.00	\$958,068.000
01/17/06	15,000	\$34.72	\$520,851.000
01/18/06	15,000	\$34.07	\$511,041.000
01/19/06	15,000	\$34.23	\$513,375.000
01/20/06	15,000	\$34.09	\$511,401.000
01/23/06	15,000	\$35.29	\$529,405.500
01/23/06	100	\$36.00	\$3,600.000
02/01/06	1,736	\$27.77	\$48,207.678
02/01/06	1,333	\$27.77	\$37,016.610
02/02/06	43,287	\$27.25	\$1,179,367.301
03/13/06	2,250	\$31.58	\$71,043.750
03/13/06	50	\$31.58	\$1,578.750

	02/01/06	46,931	\$27.77	\$1,303,245.711
Total =				\$15,844,600.968
Farmwald	04/27/06	20,000	\$40.29	\$805,752.000
	04/28/06	5,000	\$40.02	\$200,083.000
	02/27/06	50,000	\$31.48	\$1,574,025.000
	02/27/06	15,000	\$31.63	\$474,450.000
	01/24/06	100,000	\$34.13	\$3,413,150.000
	02/25/05	100,000	\$17.62	\$1,762,210.000
	02/09/05	100,000	\$18.06	\$1,806,060.000
	02/26/04	100,000	\$32.73	\$3,272,970.000
	02/27/04	100,000	\$32.34	\$3,234,360.000
	01/26/04	30,000	\$32.50	\$975,000.000
	01/21/04	120,000	\$33.13	\$3,975,924.000
	11/10/03	40,000	\$25.21	\$1,008,520.000
	08/29/03	81,840	\$16.70	\$1,366,777.104
	08/05/03	26,430	\$17.91	\$473,329.584
	07/31/03	16,830	\$18.05	\$303,739.425
	08/01/03	44,400	\$18.02	\$799,874.880
	08/04/03	30,500	\$18.05	\$550,549.400
	05/16/03	110,000	\$15.16	\$1,667,600.000
	05/19/03	90,000	\$15.63	\$1,406,700.000
	05/12/00	20,000	\$193.03	\$3,860,600.000
	05/03/06	2,700	\$35.68	\$96,336.000
Total =				\$33,028,010.393
Horowitz	06/01/05	23,692	\$15.41	\$365,200.334
	05/02/05	23,692	\$14.23	\$337,139.529
	04/01/05	23,692	\$15.01	\$355,526.890
	03/01/05	23,692	\$17.38	\$411,802.498
	02/01/05	23,692	\$17.99	\$426,297.264
	01/03/05	23,692	\$23.09	\$547,057.757
	12/01/04	23,692	\$23.52	\$557,342.454
	11/22/04	85,000	\$21.65	\$1,840,250.000
	11/01/04	23,692	\$17.12	\$405,704.177
	10/26/04	23,692	\$16.63	\$394,109.312
	09/01/04	26,660	\$13.04	\$347,521.098
	08/02/04	26,660	\$16.61	\$442,934.572
	07/01/04	26,660	\$17.21	\$458,943.902
	06/01/04	26,660	\$19.08	\$508,608.816
	05/03/04	26,660	\$18.69	\$498,310.058

	04/19/04	40,000	\$24.82	\$992,800.000
	04/01/04	26,660	\$28.54	\$760,865.736
	03/01/04	26,660	\$32.01	\$853,338.612
	02/02/04	26,660	\$30.39	\$810,216.062
	01/02/04	26,660	\$30.90	\$823,812.662
	12/22/03	17,900	\$26.60	\$476,140.000
	12/01/03	26,660	\$30.60	\$815,827.992
	11/03/03	26,660	\$25.38	\$676,612.138
	10/28/03	26,660	\$24.69	\$658,331.376
	05/15/03	25,000	\$15.53	\$388,250.000
	07/01/05	23,692	\$13.39	\$317,233.511
Total =				\$15,470,176.750
Hughes	07/19/05	50,457	\$13.29	\$670,321.25
Total =				\$670,321.25
Larsen	07/17/03	10,000	\$19.39	\$193,900.000
	07/18/03	40,000	\$18.69	\$747,600.000
	10/21/03	6,000	\$25.56	\$153,370.200
	10/21/03	20,000	\$25.56	\$511,234.000
	10/21/03	74,000	\$25.56	\$1,891,565.800
	01/21/04	6,180	\$33.12	\$204,681.600
	01/21/04	128,620	\$33.12	\$4,259,894.400
	01/22/04	34,591	\$32.06	\$1,108,977.083
	01/23/04	10,000	\$32.05	\$320,514.000
	02/26/04	14,989	\$33.05	\$495,351.975
	02/26/04	6,380	\$33.05	\$210,844.326
	02/26/04	23,512	\$33.05	\$777,017.522
	02/26/04	20,609	\$33.05	\$681,080.049
	02/26/04	80,284	\$33.05	\$2,653,201.547
	02/26/04	4,226	\$33.05	\$139,659.580
Total =				\$14,348,892.083
Mooring	03/06/06	100,000	\$33.64	\$3,363,630.000
	03/07/06	100,000	\$32.76	\$3,275,890.000
	03/08/06	31,450	\$31.19	\$981,073.315
	03/02/06	100,000	\$32.99	\$3,299,100.000
	03/03/06	100,000	\$32.30	\$3,229,680.000
	02/27/06	100,000	\$31.57	\$3,156,620.000
	02/28/06	100,000	\$30.56	\$3,055,710.000
	03/01/06	70,001	\$31.49	\$2,204,597.494
	03/01/06	16,666	\$31.49	\$524,875.671

	03/01/06	13,333	\$31.49	\$419,906.835	
	02/23/06	51,451	\$30.00	\$1,543,530.000	
	02/23/06	48,549	\$30.00	\$1,456,470.000	
	02/24/06	100,000	\$31.14	\$3,114,040.000	
	02/21/06	49,100	\$30.00	\$1,473,201.310	
	02/16/06	67,649	\$30.00	\$2,029,470.000	
	01/27/06	45,001	\$33.17	\$1,492,539.167	
	01/27/06	54,999	\$33.17	\$1,824,140.833	
	01/30/06	45,001	\$31.07	\$1,398,230.571	
	01/30/06	48,619	\$31.07	\$1,510,645.811	
	01/30/06	6,380	\$31.07	\$198,233.618	
	01/31/06	43,800	\$30.60	\$1,340,266.860	
	01/24/06	100,000	\$34.73	\$3,473,410.000	
	01/25/06	8,333	\$34.78	\$289,825.073	
	01/25/06	91,667	\$34.78	\$3,188,214.927	
	01/26/06	100,000	\$34.75	\$3,475,270.000	
	02/26/04	138,663	\$32.93	\$4,565,520.874	
	02/26/04	6,821	\$32.93	\$224,583.471	
	02/26/04	8,333	\$32.93	\$274,366.525	
	02/26/04	6,666	\$32.93	\$219,480.050	
	02/26/04	19,033	\$33.00	\$628,089.000	
	01/26/04	60,200	\$32.30	\$1,944,670.700	
	01/27/04	55,027	\$32.15	\$1,768,914.450	
	01/28/04	44,973	\$32.10	\$1,443,754.727	
	01/28/04	5,727	\$32.10	\$183,852.163	
	01/21/04	264,800	\$33.11	\$8,768,004.640	
	10/30/03	71,000	\$25.07	\$1,780,296.600	
	11/03/03	29,000	\$25.39	\$736,234.600	
	05/30/03	20,000	\$17.87	\$357,400.000	
	Total =				\$74,213,739.285
	Stark	01/21/04	41,028	\$32.88	\$1,348,840.631
		01/21/04	25,000	\$33.00	\$825,000.000
01/21/04		10,000	\$33.11	\$331,100.000	
04/27/04		16,000	\$21.85	\$349,545.600	
04/27/04		10,000	\$21.73	\$217,317.000	
04/27/04		5,000	\$21.61	\$108,062.000	
07/21/04		10,000	\$16.64	\$166,400.000	
10/21/04		10,000	\$17.77	\$177,653.000	
05/03/05		20,000	\$14.11	\$282,158.000	

1		07/25/05	10,000	\$13.35	\$133,500.000
2		10/31/05	10,000	\$12.70	\$127,000.000
3		01/25/06	2,000	\$35.11	\$70,224.800
4		01/25/06	10,000	\$35.11	\$351,124.000
5		01/25/06	35,000	\$35.11	\$1,228,934.000
6		01/25/06	1,324	\$35.11	\$46,488.818
7		01/25/06	15,004	\$35.11	\$526,826.450
8		04/26/06	5,000	\$39.85	\$199,271.000
9		04/26/06	5,000	\$39.85	\$199,271.000
10		04/26/06	10,000	\$39.85	\$398,542.000
11		04/27/06	10,728	\$38.71	\$415,228.313
12		04/27/06	9,272	\$38.71	\$358,873.687
13		04/28/06	20,000	\$39.80	\$795,914.000
14		05/01/06	7,392	\$37.94	\$280,466.525
15		05/01/06	12,608	\$37.94	\$478,371.475
16		05/02/06	3,772	\$38.66	\$145,833.818
17		05/02/06	16,000	\$38.66	\$618,595.200
18		05/02/06	228	\$38.66	\$8,814.982
19		05/03/06	19,772	\$36.52	\$722,105.075
20		Total =			\$10,911,461.373
21	Tate	10/20/03	33,300	\$25.42	\$846,389.430
22		11/20/03	33,300	\$24.64	\$820,502.010
23		12/22/03	33,300	\$26.49	\$882,160.290
24		01/20/04	33,300	\$34.71	\$1,155,926.250
25		02/20/04	33,300	\$33.66	\$1,120,954.590
26		03/22/04	33,300	\$26.67	\$888,114.330
27		04/20/04	33,300	\$25.07	\$834,927.570
28		05/20/04	33,300	\$18.90	\$629,416.620
		06/21/04	33,300	\$15.98	\$532,223.910
		07/20/04	33,300	\$17.33	\$577,212.210
		08/20/04	33,300	\$13.23	\$440,608.950
		09/20/04	33,300	\$16.59	\$552,300.480
		10/20/04	33,300	\$16.80	\$559,390.050
		11/22/04	33,300	\$21.13	\$703,589.040
		12/20/04	33,300	\$25.69	\$855,590.220
		01/20/05	33,300	\$20.82	\$693,176.130
		02/22/05	33,300	\$18.15	\$604,348.380
		03/21/05	33,300	\$16.75	\$557,798.310
		04/20/05	33,300	\$13.53	\$450,409.140

05/20/05	33,300	\$15.17	\$505,034.460
06/20/05	33,300	\$14.54	\$484,208.640
07/20/05	33,300	\$13.32	\$443,602.620
08/22/05	33,300	\$11.52	\$383,685.930
09/20/05	33,300	\$11.47	\$381,821.130
Total =			\$15,903,390.690
GRAND TOTAL =			\$202,962,258.235

63. At the time of the stock sales set forth above, the Insider Selling Defendants possessed knowledge of the backdating scheme, which was adverse material non-public information, and sold Rambus common stock on the basis of such information.

64. Under California law, the Insider Selling Defendants were not permitted to trade on this information without first disclosing the backdating scheme to the public. Thus, the Insider Selling Defendants are liable for violations of California Corporations Code §§ 25402/25502.5 and federal securities law.

RAMBUS' FALSE FINANCIAL REPORTING IN VIOLATION OF GAAP

65. As a result of Defendants' improper backdating of stock options, Defendants caused Rambus to violate GAAP, SEC regulations and IRS rules and regulations.

66. Rambus' financial results for 1996 through 2005 were included in reports filed with the SEC and in other shareholder reports. In these reports, Defendants represented that Rambus' financial results were presented in a fair manner and in accordance with GAAP.

67. Defendants' representations were false and misleading as to the financial information reported, as such financial information was not prepared in conformity with GAAP, nor was the financial information "a fair presentation" of the Company's financial condition and operations, causing the financial results to be presented in violation of GAAP and SEC rules.

68. GAAP consists of those principles recognized by the accounting profession as the conventions, rules, and procedures necessary to define accepted accounting practice at the

1 particular time. Regulation S-X, to which the Company is subject as a registrant under the
2 Exchange Act, 17 C.F.R. §210.4-01(a)(1), provides that financial statements filed with the SEC,
3 which are not prepared in compliance with GAAP, are presumed to be misleading and
4 inaccurate.
5

6 **Violations of GAAP**

7 69. During the relevant period, Defendants caused the Company to understate its
8 compensation expense by not properly accounting for its stock options under GAAP and thus
9 overstated the Company's net earnings.
10

11 70. Under well-settled accounting principles in effect throughout the relevant period,
12 Rambus did not need to record an expense for options granted to employees at the current market
13 price ("at the money"). The Company was, however, required to record an expense in its
14 financial statements for any options granted below the current market price ("in the money"). In
15 order to provide Rambus executives and employees with far more lucrative "in the money"
16 options, while avoiding having to inform shareholders about millions of dollars incurred by the
17 Company in compensation expenses (and without paying the IRS millions of dollars in
18 employment taxes), Defendants systematically falsified Company records to create the false
19 appearance that options had been granted at the market price on an earlier date.
20
21

22 71. Throughout the relevant period, Rambus accounted for stock options using the
23 intrinsic method described in APB No. 25, "Accounting for Stock Issued to Employees." Under
24 APB No. 25, employers were required to record as an expense on their financial statements the
25 "intrinsic value" of a fixed stock option on its "measurement date." An option that is in-the-
26 money on the measurement date has intrinsic value, and the difference between its exercise price
27 and the quoted market price must be recorded as compensation expense to be recognized over
28

1 the vesting period of the option. Options that are at-the-money or out-of-the-money on the
2 measurement date need not be expensed. Excluding non-employee directors, APB No. 25
3 required employers to record compensation expenses on options granted to non-employees
4 irrespective of whether they were in-the-money or not on the date of grant.
5

6 **Rambus' Forthcoming Restatement Is an Admission of Falsity**

7 72. As detailed above, the fact that Rambus expects to revise and restate downward
8 its net income is an admission that the financial statements originally issued were false when
9 they were reported and that the misstatements were material.
10

11 73. Pursuant to GAAP, as set forth in APB Opinion No. 20, the type of restatements
12 and revisions announced by Rambus are to correct for material errors in previously issued
13 financial statements. APB No. 20, ¶¶7-13. The restatement of past financial statements is a
14 disfavored method of recognizing an accounting change as it dilutes confidence by investors in
15 the financial statements, it makes it difficult to compare financial statements and it is often
16 difficult, if not impossible, to generate the numbers when restatement occurs. APB No. 20, ¶14.
17 Thus, GAAP provides that financial statements should only be restated in limited circumstances,
18 i.e., when there is a change in the reporting entity, there is a change in accounting principles used
19 or to correct an error in previously issued financial statements. Rambus' restatements and
20 revisions were not due to a change in reporting entity or a change in accounting principle, but
21 rather due to errors in previously issued financial statements. Thus, the expected restatements
22 and revisions are admissions by Rambus that its previously issued financial results and its public
23 statements regarding those results were false and misleading.
24
25
26
27
28

Rambus' GAAP Violations Were Material

74. Rambus' false and misleading relevant period statements and omissions regarding its accounting were material, particularly in light of SEC guidance on materiality. SEC Staff Accounting Bulletin ("SAB") Topic 1M, Materiality, summarizes GAAP definitions of materiality. Among other items, SAB Topic 1M says: "A matter is 'material' if there is a substantial likelihood that a reasonable person would consider it important." It also stresses that materiality requires qualitative, as well as quantitative, considerations. For example, if a known misstatement would cause a significant market reaction, that reaction should be taken into account in determining the materiality of the misstatement.

75. SAB Topic 1M further states:

Among the considerations that may well render material a quantitatively small misstatement of a financial statement item are –

* * *

whether the misstatement masks a change in earnings or other trends

whether the misstatement hides a failure to meet analysts' consensus expectations for the enterprise

* * *

whether the misstatement concerns a segment or other portion of the registrant's business that has been identified as playing a significant role in the registrant's operations or profitability.

76. SAB Topic 1M also says that an intentional misstatement of even immaterial items may be illegal and constitute fraudulent financial reporting.

77. Rambus' misstatements, by its own admissions, satisfy these criteria and thus were material from both a quantitative and qualitative perspective.

Rambus' Financial Statements Violated Fundamental Concepts of GAAP

78. Due to these accounting improprieties, the Company presented its financial results and statements in a manner that violated GAAP, which are described by the following statements:

(a) The principle that interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements (APB No. 28, ¶10);

(b) The principle that financial reporting should provide information that is useful to existing and potential investors and creditors and other users in making rational investment, credit and similar decisions (FASB Statement of Concepts No. 1, ¶34);

(c) The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and the effects of transactions, events and circumstances that change resources and claims to those resources (Financial Accounting Standards Board ("FASB") Statement of Concepts No. 1, ¶40);

(d) The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to stockholders for the use of enterprise resources entrusted to it. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (FASB Statement of Concepts No. 1, ¶50);

(e) The principle that financial reporting should be reliable in that it represents what it purports to represent (FASB Statement of Concepts No. 2, ¶¶58-59);

1 (f) The principle of completeness, which means that nothing is left out of the
2 information that may be necessary to insure that it validly represents underlying events and
3 conditions (FASB Statement of Concepts No. 2, ¶¶79); and
4

5 (g) The principle that conservatism be used as a prudent reaction to
6 uncertainty to try to ensure that uncertainties and risks inherent in business situations are
7 adequately considered (FASB Statement of Concepts No. 2, ¶¶95, 97).

8 79. Further, the undisclosed adverse information concealed by Defendants during the
9 relevant period is the type of information which, because of SEC regulations, regulations of the
10 national stock exchanges and customary business practice, is expected by investors and securities
11 analysts to be disclosed and is known by corporate officials and their legal and financial advisors
12 to be the type of information which is expected to be and must be disclosed.
13

14 **Violations of the SEC Regulations**

15 80. During the relevant period, Defendants caused Rambus to violate SEC regulations
16 by failing to disclose that the Company's senior executives had been granted backdated stock
17 options.
18

19 81. Under SEC Regulations, Item 8 of Form 14-A and Item 11 of Form 10-K, an
20 issuer must furnish information required by Item 402 of Regulation S-K [17 C.F.R. §229.303].
21 Item 402(b) and (c) require a company to provide both a Summary Compensation Table and an
22 Option/SAR Grants table identifying the compensation of the named executive officers – the
23 Company's CEO and its next four most highly paid executives. Item 402 requires particularized
24 disclosures involving a company's stock option grants in the last fiscal year. In the summary
25 compensation table, the issuer must identify in a column "other annual compensation" received
26 by the named executives that is not properly categorized as salary or bonus, including any
27
28

1 “[a]bove market or preferential earnings on restricted stock, options, SARs or deferred
2 compensation” paid to the officer during the period. Item 402(b)(2)(iii)(C)(2). In the option
3 grant table, the issuer must identify in a column “[t]he per-share exercise or base price of the
4 options. . . . If such exercise or base price is less than the market price of the underlying security
5 on the date of grant, a separate, adjoining column shall be added showing market price on the
6 date of grant. . . .” Item 402(c)(2)(iv).

8 82. Defendants caused Rambus to violate SEC regulations by failing to disclose that
9 the Company’s named executive officers had been granted options with exercise prices below
10 the market value on the date the Board or Compensation Committee approved the grant.
11

12 **Violations of IRS Rules and Regulations**

13 83. During the relevant period, Defendants further caused Rambus to violate IRS
14 rules and regulations due to its improper accounting for the backdated stock options. As a result,
15 the Company’s tax liabilities were understated, exposing Rambus to potential amounts owed for
16 back taxes, penalties and interest to the IRS for improperly reporting compensation.
17

18 84. Defendants caused the Company to violate IRS Code §162(m), which generally
19 limits a publicly traded company’s tax deductions for compensation paid to each of its named
20 executive officers to \$1 million unless the pay is determined to be “performance-based.” In
21 order for compensation to be performance-based, the Compensation Committee must have set
22 pre-established and objective performance goals. The goals must then be approved by the
23 shareholders. Section 162(m) defines stock options as performance-based provided they are
24 issued at an exercise price that is no less than the fair market value of the stock on the date of the
25 grant. Accordingly, properly issued stock options do not have to be taken into account in
26 calculating whether an executive’s compensation has exceeded the \$1 million compensation cap.
27
28

1 85. Section 162(m), known as the \$1 million rule, was enacted in 1993 in order to tie
2 top executives' soaring pay packages more closely to a company's performance. This change in
3 the tax law turned compensation practices for a company's top executives away from straight
4 salary-based compensation to performance-based compensation, including stock options.
5 According to former SEC Chairman Harvey Pitt: "What [162(m)] did was create incentives to
6 find other forms of compensation so people could get over the \$1 million threshold without
7 running afoul of the code."
8

9
10 86. Defendants caused Rambus to violate IRS Code §162(m) by providing backdated
11 options to the Company's named executive officers, which were granted with exercise prices that
12 were less than the fair market value of the stock on the date of the grant. As a result all of the
13 income resulting from the exercise of the options must be included for purposes of calculating
14 whether the named executive's compensation exceeds the \$1 million cap for federal tax
15 purposes.
16

17 87. Defendants further caused the Company to violate IRS rules and regulations in
18 order to avoid having to withhold income and FICA tax from its executives and employees upon
19 the exercise of Rambus' stock options by improperly accounting for its Nonqualified Stock
20 Options ("NSOs") as Incentive Stock Options ("ISOs").
21

22 88. ISOs are a form of equity compensation that may be provided to a company's
23 employees. ISOs are required to be granted at an exercise price that is no less than the fair
24 market value of the stock on the date of the grant and are entitled to preferential tax treatment as
25 they are not subject to income tax upon exercise of the options but only upon sale of the stock
26 (except for the possible imposition of alternative minimum tax on the option spread at the time of
27 exercise). Stock options that do not qualify as ISOs are considered to be NSOs. NSOs are not
28

entitled to preferential treatment as they are subject to income tax and FICA withholding upon exercise. As a result, a company that fails to withhold income tax and/or FICA upon the exercise of NSOs by its employees would be liable for the amount of the income tax and FICA that the company failed to withhold upon exercise of the options, in addition to interest and penalties.

89. By improperly treating its backdated options as ISOs, Defendants failed to provide proper income tax and FICA withholdings upon the exercise of its options by its executives and employees in violation of IRS rules and regulations.

90. The chart below illustrates Rambus' false and misleading fiscal and quarterly financial results which materially understated its compensation expenses and thus overstated its earnings:

Fiscal Year	Reported Earnings (Loss)	Reported Basic Earnings (Loss) Per Share⁵
1997	\$1.981 million	\$0.02
1998	\$6.788 million	\$0.07
1999	\$8.718 million	\$0.09
2000	(\$106.127 million)	(\$1.10)
2001	\$31.271 million	\$0.29
2002	\$24.704 million	\$0.24
2003	\$23.221 million	\$0.24
2004	\$33.559 million	\$0.33
2005	\$33.677 million	\$0.34

91. Meanwhile, Defendants were causing the Company to grant them millions of stock options, many of which were backdated or misdated. The Company's executives received a significant number of stock options as compensation during the relevant period.

⁵ Basic Earning (loss) per share calculations have been retroactively restated to reflect the Company's four-for-one stock split effective June 15, 2000.

DAMAGE TO RAMBUS

92. Defendants' backdating scheme has severely and irreparably injured Rambus. The scheme has exposed Rambus to millions of dollars in damages, including, but not limited to, the additional compensation expenses and tax liabilities the Company was required to incur, loss of funds paid to the Company upon exercise of options, and costs and expenses incurred in connection with the Company's restatement of historical financial results.

93. On August 16, 2006, Rambus issued a press release announcing a Nasdaq Hearing Request regarding stock delisting:

Rambus Inc. (NASDAQ: RMBS) today announced that it plans to request a hearing before the NASDAQ Listing Qualifications Panel following the receipt of a NASDAQ Staff Determination notice stating that the Company is not in compliance with NASDAQ Marketplace Rule 4310(c)(14). This notice was received because the Company was not timely in filing its Quarterly Report on Form 10-Q for the period ended June 30, 2006. However, there can be no assurance that the hearing panel will grant the Company's request for continued listing. Pending a decision by the Panel, Rambus' common stock will remain listed on the NASDAQ Stock Market.

As previously announced, the Audit Committee of the Rambus Board of Directors is conducting an independent investigation to review the Company's historical stock option grant practices and related accounting. The Company had previously disclosed on July 19, 2006 that it would not be able to file its Form 10-Q on time while the investigation is ongoing. The Audit Committee is making every effort to complete its investigation, and the Company will make every effort to file its restated financial reports as soon as practicable after the completion of the investigation.

DEFENDANTS' BREACHES OF FIDUCIARY DUTIES

94. In a misguided effort to attract and retain employees in a competitive environment, Defendants exceeded the bounds of the law and legitimate business judgment by perpetrating their backdating scheme. Defendants' misconduct was unjustifiable and constituted

1 a gross breach of their fiduciary duties as officers and/or directors of the Company. Specifically,
2 Defendants breached their fiduciary duties by:

- 3 a. colluding with each other to backdate stock option grants;
- 4 b. colluding with each other to violate GAAP and Section 162(m);
- 5 c. colluding with each other to produce and disseminate to Rambus
6 shareholders and the market false financial statements that
7 improperly recorded and accounted for the backdated option grants
8 and concealed the improper backdating of stock options; and
- 9 d. colluding with each other to file false proxy statements, false
10 financial statements, and false Forms 4 in order to conceal the
11 improper backdating of stock options.

12 95. Defendants' foregoing misconduct was not, and could not have been, an exercise
13 of good faith business judgment. Rather, it was intended to, and did, unduly benefit the Grantee
14 Defendants at the expense of the Company.

15 96. As a direct and proximate result of Defendants' foregoing breaches of fiduciary
16 duties, the Company has sustained millions of dollars in damages, including, but not limited to,
17 the additional compensation expenses and tax liabilities the Company was required to incur, loss
18 of funds paid to the Company upon exercise of options, and costs and expenses incurred in
19 connection with the Company's restatement of historical financial results.

20 97. As alleged herein, the Grantee Defendants have exercised hundreds of thousands
21 of backdated options at improperly low prices and have then sold the shares for substantial
22 profits. Consequently, the Grantee Defendants have been unjustly enriched by garnering
23 millions of dollars in illicit profits and depriving the Company of millions of dollars in payments
24 that the Company should have received upon exercise of the options.
25
26
27
28

DERIVATIVE AND DEMAND EXCUSED ALLEGATIONS

98. Lead Plaintiffs bring this action derivatively in the right and for the benefit of the Company to redress Defendants' breaches of fiduciary duties and unjust enrichment.

99. Lead Plaintiffs are owners of Rambus common stock and were owners of Rambus common stock at all times relevant hereto.

100. Lead Plaintiffs will adequately and fairly represent the interests of the Company and its shareholders in enforcing and prosecuting its rights.

101. As a result of the facts set forth herein, Lead Plaintiffs have not made any demand on the Rambus Board of Directors to institute this action against the Defendants. Such demand would be a futile and useless act because the Board is incapable of making an independent and disinterested decision to institute and vigorously prosecute this action.

102. At the time this action was commenced, the Board consisted of nine directors: Defendants Bentley, Dunlevie, Farmwald, Horowitz, Hughes, Kennedy, Sofaer, Tate, and Chou. The following directors are incapable of independently and disinterestedly considering a demand to commence and vigorously prosecute this action:

- a. Bentley, because as a director and an Audit Committee member, he knowingly approved the filing of and signed false financial statements and other false SEC filings, as alleged herein, and therefore is substantially likely to be held liable for the misconduct complained of herein;
- b. Dunlevie, because as a Grantor Defendant and a member of the Compensation Committee and Audit Committee at all relevant times he directly participated in and knowingly approved the backdating of stock options and approved the filing of and signed false financial statements and other false SEC filings, as alleged herein, and therefore is substantially likely to be held liable for the misconduct complained of herein;
- c. Farmwald, because as a Grantor Defendant and a director of the Company at all relevant times he directly participated in and knowingly approved the backdating of stock options and approved the filing of and signed false financial statements and other false SEC filings, as alleged herein,

1 and therefore is substantially likely to be held liable for the misconduct
2 complained of herein;

3 d. Horowitz, because as a Grantor Defendant and a director of the Company
4 at all relevant times he directly participated in and knowingly approved
5 the backdating of stock options and approved the filing of and signed
6 false financial statements and other false SEC filings, as alleged herein,
and therefore is substantially likely to be held liable for the misconduct
complained of herein;

7 e. Hughes, because his principal professional occupation is his position as
8 President and Chief Executive Officer of the Company, a position he
9 assumed in January 2005. In his position as President and Chief
10 Executive Officer, Hughes stands to earn hundreds of thousands of dollars
11 in annual salary, bonuses, and other compensation, all of which must be
12 approved by Defendants Tate, Bentley, Dunlevie, Farmwald, Horowitz,
13 Hughes, Kennedy, and Sofaer, who are currently on the Board. Also, as a
14 director of the Company, he knowingly approved the filing of and signed
false financial statements and other false SEC filings, as alleged herein
and therefore is substantially likely to be held liable for the misconduct
complained of herein. Accordingly, Hughes is incapable of independently
and disinterestedly considering a demand to commence and vigorously
prosecute this action against the Defendants;

15 f. Kennedy, because as a director of the Company, he knowingly approved
16 the filing of and signed false financial statements and other false SEC
17 filings, as alleged herein, and therefore is substantially likely to be held
liable for the misconduct complained of herein;

18 g. Sofaer, because as a director and an Audit Committee member he
19 knowingly approved the filing of and signed false financial statements and
20 other false SEC filings, as alleged herein, and therefore is substantially
likely to be held liable for the misconduct complained of herein; and

21 h. Tate, because as a Grantee Defendant, he is directly interested in the
22 improperly backdated stock option grants complained of herein. Also, as
23 a Grantor Defendant and a director of the Company at all relevant times,
24 he directly participated in and knowingly approved the Company's
25 backdating of stock options and approved the filing of and signed false
26 financial statements and other false SEC filings, as alleged herein and
therefore is substantially likely to be held liable for the misconduct
complained of herein.

27 103. Furthermore, demand is excused because the misconduct complained of herein
28 was not, and could not have been, an exercise of good faith business judgment. As represented

1 in Rambus' proxy statements, the stated purpose of the Company's shareholder-approved stock
2 option plans is to motivate employees by providing compensation that reflects the performance
3 of the Company and "align[s] the interests of the employees with the long-term interests of the
4 stockholders." However, by granting options with backdated exercise prices, Defendants
5 undermined the purpose of the stock option plans by awarding employees compensation that had
6 intrinsic value regardless of Rambus' performance. In effect, this practice was nothing more
7 than secret handouts to executives and employees at the expense of unsuspecting shareholders
8 and the market at large.
9
10

11 104. Defendants could have achieved the stated purpose of attracting and retaining "the
12 best available personnel" by granting those employees additional options under their incentive
13 plans, or by granting options at a price less than the fair market value on the date of the grant and
14 simply disclosing and expensing these grants. Instead, Defendants were able to placate Rambus'
15 employees by backdating option grants in violation of the Company's shareholder-approved
16 stock option plans and improperly reporting these grants in their financial disclosures to improve
17 their bottom line.
18

19 105. The practice of backdating stock options cannot be a valid exercise of business
20 judgment because it has subjected Rambus to potentially massive liability. Rambus is currently
21 conducting an internal investigation and had admitted to backdating option grants. The
22 Company also announced that it expects to restate its previously issued financial statements due
23 to errors in accounting for compensation expenses. Rambus will likely suffer tax liabilities for
24 the additional compensation they will have to expense, and it has tarnished its reputation in the
25 investment community through this deliberate and calculated conduct.
26
27
28

COUNT I

**Against All Defendants for
Violations of § 10(b) and Rule 10b-5 of the
Securities Exchange Act of 1934 ("Exchange Act")**

106. Lead Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

107. Throughout the relevant period, Defendants individually and in concert, directly and indirectly, by the use and means of instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct designed to divert hundreds of millions of dollars to Defendants via improper option grants.

108. Defendants employed devices, schemes and artifices to defraud while in possession of material, adverse non-public information and engaged in acts, practices and a course of conduct that included the making of, or participation in the making of, untrue and/or misleading statements of material facts and/or omitting material facts necessary in order to make the statements made about Rambus not misleading.

109. Defendants, as top executive officers and/or directors of the Company, are liable as direct participants in the wrongs complained of herein. Through their positions of control and authority as officers and/or directors of the Company, each of the Defendants was able to and did control the conduct complained of herein and the content of the public statements disseminated by Rambus.

110. Defendants acted with scienter throughout the relevant period, in that they either had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose the true facts, even though such facts were available to them. Defendants were among the senior

1 management of the Company and were therefore directly responsible for the false and
2 misleading statements and/or omissions disseminated to the public through press releases, news
3 reports and filings with the SEC.

4
5 111. Each of the Defendants participated in a scheme to defraud with the purpose and
6 effect of defrauding Rambus, which relied on Defendants' fraud in granting the Grantee
7 Defendants options to purchase Rambus common stock.

8
9 112. By virtue of the foregoing, Defendants have violated § 10(b) of the Exchange Act,
10 and Rule 10b-5 promulgated thereunder and have thereby caused Rambus to sustain damages, as
11 alleged herein.

12 **COUNT II**

13 **Against All Defendants for**
14 **Violations of § 14(a) of the Exchange Act**

15
16 113. Lead Plaintiffs incorporate by reference and reallege each and every allegation set
17 forth above, as though fully set forth herein.

18 114. Rule 14a-9, promulgated pursuant to § 14(a) of the Exchange Act, provides that
19 no proxy statement shall contain "any statement which, at the time and in the light of the
20 circumstances under which it is made, is false or misleading with respect to any material fact, or
21 which omits to state any material fact necessary in order to make the statements therein not false
22 or misleading." 17 C.F.R. § 240.14a-9.

23
24 115. The 2000-2002 Proxy Statements violated § 14(a) and Rule 14a-9 because they
25 omitted material facts, including the fact that Defendants were causing Rambus to engage in an
26 option backdating scheme, a fact which Defendants were aware of and participated in from at
27 least 1998.
28

117. The misrepresentations and omissions in the Proxy Statements were material to Lead Plaintiffs in voting on each Proxy Statement. The Proxy Statements were an essential link in the accomplishment of the continuation of Defendants' unlawful stock option backdating scheme, as revelations of the truth would have immediately thwarted a continuation of shareholders' endorsement of the directors' positions, the executive officers' compensation, and the Company's compensation policies.

COUNT III

119. Lead Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

COUNT IV

**Against All Defendants for an
Accounting**

121. Lead Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

122. At all relevant times, Defendants, as directors and/or officers of Rambus, owed the Company and its shareholders fiduciary duties of good faith, care, candor, and loyalty.

123. In breach of their fiduciary duties owed to Rambus and its shareholders, Defendants caused Rambus, among other things, to grant backdated stock options to themselves and/or certain other officers and directors of Rambus. By this wrongdoing, the Defendants breached their fiduciary duties owed to Rambus and its shareholders.

124. Defendants possess complete and unfettered control over their improperly issued stock option grants and the books and records of the Company concerning the details of such improperly backdated stock option grants to the Grantee Defendants.

125. As a result of Defendants' misconduct, Rambus has been substantially injured and damaged financially and is entitled to a recovery as a result thereof, including the proceeds of those improperly granted options which have been exercised and sold.

126. Lead Plaintiffs demand an accounting be made of all stock option grants made to Defendants, including, without limitation, the dates of the grants, the amounts of the grants, the value of the grants, the recipients of the grants, the exercise date of stock options granted to the Defendants, as well as the disposition of any proceeds received by the Defendants via sale or other exercise of backdated stock option grants received by the Grantee Defendants.

COUNT V

**Against All Defendants for
Breach of Fiduciary Duty and/or Aiding and Abetting**

127. Lead Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

128. Defendants agreed to and did participate with and/or aided and abetted one another in a deliberate course of action designed to divert corporate assets in breach of fiduciary duties they owed to the Company.

129. Defendants have violated fiduciary duties of loyalty, good faith, candor, and independence owed to Rambus and its public shareholders, have engaged in unlawful self-dealing and have acted to put their personal interests and/or their colleagues' interests ahead of the interests of Rambus and its shareholders.

130. As demonstrated by the allegations above, Defendants failed to exercise the care required and breached their duties of loyalty, good faith, candor, and independence owed to Rambus and its public shareholders, and Defendants failed to disclose material information and/or made material misrepresentations to shareholders regarding Defendants' option backdating scheme.

131. As a proximate result of Defendants' conduct, Rambus has been injured and is entitled to damages.

COUNT VI

**Against All Defendants for
Abuse of Control**

132. Lead Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

134. Defendants' conduct constituted an abuse of their ability to control and influence Rambus.

COUNT VII

137. Defendants had a duty to Rambus and its shareholders to prudently supervise, manage, and control the operations, business, and internal financial accounting and disclosure controls of Rambus.

139. During the course of the discharge of their duties, Defendants knew or recklessly disregarded the unreasonable risks and losses associated with their misconduct, yet

1 Defendants caused Rambus to engage in the scheme complained of herein which they knew had
2 an unreasonable risk of damage to Rambus, thus breaching their duties to the Company. As a
3 result, Defendants grossly mismanaged Rambus.
4

5 140. By reason of the foregoing, Rambus has been damaged.

6 **COUNT VIII**

7 **Against All Defendants for**
8 **Constructive Fraud**

9 141. Lead Plaintiffs incorporate by reference and reallege each and every allegation set
10 forth above, as though fully set forth herein.

11 142. As corporate fiduciaries, Defendants owed to Rambus and its shareholders a duty
12 of candor and full accurate disclosure regarding the true state of Rambus' business and assets
13 and their conduct with regard thereto.
14

15 143. As a result of the conduct complained of, Defendants made, or aided and abetted
16 the making of, numerous misrepresentations to and/or concealed material facts from Rambus'
17 shareholders despite their duties to, *inter alia*, disclose the true facts regarding their stewardship
18 of Rambus. Thus they have committed constructive fraud and violated their duty of candor.
19

20 144. By reason of the foregoing, Rambus has been damaged.

21 **COUNT IX**

22 **Against All Defendants for**
23 **Corporate Waste**

24 145. Lead Plaintiffs incorporate by reference and reallege each and every allegation set
25 forth above as though fully set forth herein.
26
27
28

147. Certain defendants also obtained severance benefits that were not earned or justified but were instead paid as part of a scheme to cover up Defendants' complicity in the scheme.

149. Certain of the defendants sold Rambus stock for a profit during the period of deception, misusing confidential non-public corporate information. These defendants should be required to disgorge the gains which they have and/or will otherwise unjustly obtain at the expense of Rambus. A constructive trust for the benefit of the Company should be imposed thereon.

Against All Defendants for Unjust Enrichment

151. As a result of the conduct described above, Defendants will be and have been unjustly enriched at the expense of Rambus, in the form of unjustified salaries, benefits, bonuses, stock option grants, and other emoluments of office.

1 152. Certain defendants also obtained severance benefits that were not earned or
2 justified but were instead paid as part of a scheme to cover up Defendants' complicity in the
3 scheme.
4

5 153. All the payments and benefits provided to the Defendants were at the expense of
6 Rambus. The Company received no benefit from these payments. Rambus was damaged by
7 such payments.
8

9 154. Certain of the defendants sold Rambus stock for a profit during the period of
10 deception, misusing confidential non-public corporate information. These defendants should be
11 required to disgorge the gains, which they have and/or will otherwise unjustly obtain at the
12 expense of Rambus. A constructive trust for the benefit of the Company should be imposed
13 thereon.
14

15 **COUNT XI**

16 **Against the Grantee Defendants for** 17 **Rescission**

18 155. Lead Plaintiffs incorporate by reference and reallege each and every allegation set
19 forth above as though fully set forth herein.

20 156. As a result of the acts alleged herein, the stock option contracts between the
21 Grantee Defendants and Rambus entered into during the relevant period were obtained through
22 Defendants' fraud, deceit, and abuse of control. Further, the backdated stock options were illegal
23 grants and thus invalid as they were not authorized in accordance with the terms of the publicly
24 filed contracts regarding Grantee Defendants' employment agreements and the Company's stock
25 option plan, which was also approved by Rambus shareholders and filed with the SEC.
26

27 157. All contracts, which provide for stock option grants between the Grantee
28 Defendants and Rambus and were entered into during the relevant period should, therefore, be

1 rescinded, with all sums paid under such contracts returned to the Company, and all such
2 executory contracts cancelled and declared void.

3
4 **COUNT XII**

5 **Against the Grantee Defendants for**
6 **Breach of Contract**

7 158. Lead Plaintiffs incorporate by reference and reallege each and every allegation set
8 forth above as though fully set forth herein.

9 159. As a result of the backdating of options granted to them, the Grantee Defendants
10 have breached their employment agreements with Rambus and violated the stock option plan, all
11 of which provide that the exercise price of all of the stock options would be no less than the fair
12 market value of the Company's common stock, measured by the publicly traded closing price for
13 Rambus stock, on the date of the grant.
14

15 160. Rambus and its shareholders have been damaged by the Grantee Defendants'
16 breach of contract.

17 **COUNT XIII**

18
19 **Against the Insider Selling Defendants for**
20 **Violation of California Corporations Code §§ 25402/25502.5**

21 161. Lead Plaintiffs incorporate by reference and reallege each and every allegation set
22 forth above, as though fully set forth herein.

23 162. At the time that the Insider Selling Defendants sold their Rambus common stock
24 as set forth herein at ¶ 62, by reason of their high executive and/or directorial positions with
25 Rambus, the Insider Selling Defendants had access to highly material information regarding the
26 Company, including the information set forth herein regarding the true adverse facts of Rambus'
27 option backdating, improper accounting, and false financial statements.
28

164. The Insider Selling Defendants, and each of them, had actual knowledge of material, adverse non-public information and thus sold their Rambus common stock in California in violation of California Corporations Code § 25402.

COUNT XIV

166. Lead Plaintiffs incorporate by reference and reallege each and every allegation set forth above as though fully set forth herein.

168. The information described above was proprietary non-public information concerning the Company's financial condition and future business prospects. It was a

1 proprietary asset belonging to the Company, which the Insider Selling Defendants used for their
2 own benefit when they sold Rambus common stock.

3
4 169. At the time of their stock sales, the Insider Selling Defendants knew that the
5 Company's net income was materially overstated. Defendants' sales of Rambus common stock
6 while in possession and control of this material adverse non-public information was a breach of
7 their fiduciary duties of loyalty and good faith.

8
9 170. Since the use of the Company's proprietary information for their own gain
10 constitutes a breach of the Defendants' fiduciary duties, the Company is entitled to the
11 imposition of a constructive trust on any profits Defendants obtained thereby.

12 **PRAYER FOR RELIEF**

13 WHEREFORE, Lead Plaintiffs demand judgment as follows:

- 14 A. Against all of the Defendants and in favor of the Company for the
15 amount of damages sustained by the Company as a result of
16 Defendants' misconduct;
- 17 B. Ordering the Grantee Defendants to disgorge to the Company all of
18 the backdated stock options they received, including the proceeds
19 of any such options that have been exercised, sold, pledged, or
20 otherwise monetized, and imposing a constructive trust thereover;
- 21 C. Awarding the Company treble damages as provided by California
22 Corporations Code § 25502.5;
- 23 D. Granting appropriate equitable relief to remedy Defendants'
24 breaches of fiduciary duties;
- 25 E. Awarding to plaintiffs the costs and disbursements of the action,
26 including reasonable attorneys' fees, accountants' and experts'
27 fees, costs, and expenses; and
- 28 F. Granting such other and further relief as the Court deems just and
proper.

JURY TRIAL DEMANDED

Lead Plaintiffs demand a trial by jury.

DATED: November 3, 2006

LERACH COUGHLIN STOIA
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